Impact
Healthcare
REIT

Investing in UK care homes *for everyone*

2023 Sustainability report and EPRA best practices report

About us

Impact Healthcare REIT plc is a specialist and responsible owner of care homes and other healthcare properties across the UK.

We take a long-term view and look to generate secure and growing income. This has allowed us to offer attractive and progressive dividends to our shareholders, and the potential for capital growth.

Our purpose

Our purpose is to work with tenants to provide quality, affordable and sustainable care homes in order to deliver an attractive risk adjusted return.

Our values

- **We focus on the long-term sustainability of our business.**
- **We are open and transparent with our stakeholders.**
- **We are a dependable partner who's trusted to deliver.**
- **We combine the strengths of a listed company with entrepreneurship.**

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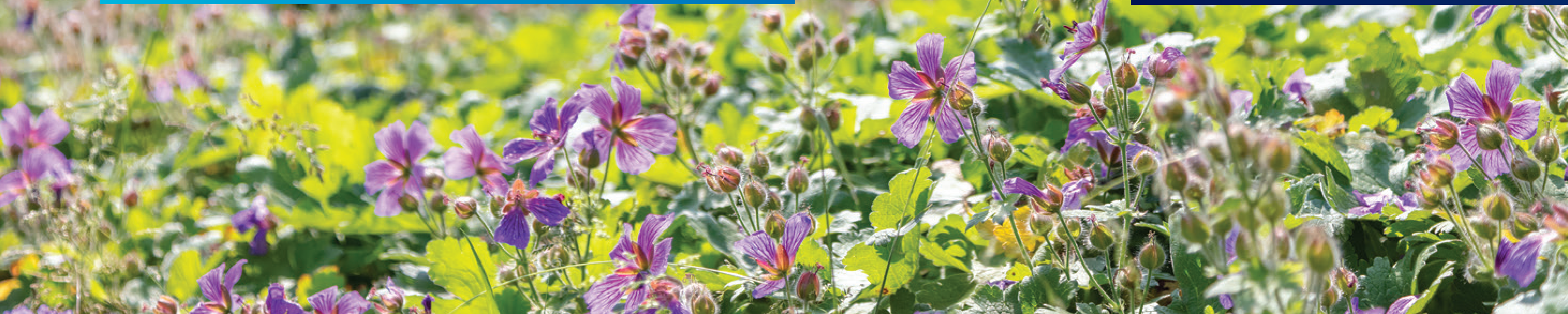
Find us online:
www.impactreit.uk/



Introduction

With an ageing population, the UK society needs a thriving care home sector which can provide the care older people need and relieve the pressure on the NHS.

As we continue to grow our portfolio of homes, with environmental and social considerations anchored within our business model, we look forward to continuing to being part of that solution.

Tenant CQC ratings

Good or ourstanding

80.6%

2022: 78.0%

Carbon emissions

(kg CO_2 per m²):

54kg

2022: 50kg

The energy consumed in our portfolio is procured by our tenants and as such are Scope 3 under the Greenhouse Gas Protocol. We have no reportable Scope 1 or 2 emissions.

EPC ratings of B or above

57%[1]

2022: 53%[1]

1. English equivalent (combined) %

We are pleased to introduce our latest sustainability report, which is designed to complement what we have already detailed in our 2023 annual report. This report summarises the key pillars of our ESG framework, the progress made against these, as well as providing more data to help articulate our performance and report in line with the EPRA's guidelines.

Working in close partnership with our tenants, we aim to enable the provision of high-quality, affordable care to the residents. We aim to invest in our portfolio of care homes, while also reducing the associated impacts on the environment. This helps us to achieve positive outcomes for society, such as providing care for some of the UK's most vulnerable people, freeing up much-needed NHS beds, providing beds, and improving the wellbeing for residents and staff.

2023 was a year in which we made good progress in embedding sustainable practices across our business. The Investment Manager's ESG committee, established in 2023 and chaired by our Finance Director, is providing us with the appropriate governance and forum to enable us to make decisions, maintain momentum and to monitor progress. During the year we improved the overall EPC profile of our portfolio; we have started to invest capital into energy-efficient improvements as part of our net zero transition pathway; and the Care Quality Commission (CQC) rating across our portfolio remained ahead of the national average. Our Carbon emissions per square meter did increase from 50kg to 54kg and our interim target of reducing carbon emissions by 15% in 2025 has become more challenging. A key focus for 2024 is seeking more regular energy data to help us prioritise those homes with the highest emissions and work with our tenants on both improvements and behaviour that can help reduce this.

None of the progress outlined would be possible without the efforts, engagement and co-operation of our tenants and their employees.

Transparency on our performance remains a core value and we have therefore looked to align our efforts with best practice: during 2023 our Investment Manager, Impact Health Partners LLP, became a signatory to the UN PRI, and we actively engaged with the Carbon Disclosure Project and EPRA; we have made our second TCFD disclosure (summarised details of which can be found on pages 16 to 18) and we are making our first submission to GRESB in 2024.

We remain committed to our sustainability targets, having a positive impact on the people living and working in our homes and ensuring transparent reporting in line with best practice.

Our approach

Establishing the foundations of our ESG strategy

	Environmental	Social	Governance
Direct influence	Energy efficiency Carbon reduction	Close collaboration with care home operators Refurbishment of care homes Enabling provision of affordable care	Governance and policies for our operations, acquisitions and disposals Stakeholder engagement Transparent reporting
Indirect influence	Physical impacts of climate change Water and waste management	Supporting residential care and wellbeing of residents Employee wellbeing, training and retention	Responsible management of care homes

Our materiality assessment, updated in 2022, helps inform our ESG strategy. We based the areas of questioning on the UN PRI's Real Estate and Healthcare guidelines and the relevant industry metrics defined by the Sustainability Accounting Standards Board (SASB).

The materiality assessment included input from board members, representatives of the Investment Manager, care home operators and two financial institutions, representing equity and debt providers.

We had strong engagement with our stakeholders and they recognised that we have taken steps to further embed ESG considerations in the business.

We rated the issues we identified on their importance to our stakeholders and the potential impact on our business. The following table categorises the most important items in terms of environmental, social and governance issues, and is divided between those we can influence directly and those where we have indirect influence, as the ultimate responsibility lies with our tenants.

Signatory of:

PRI Principles for Responsible Investment

EPRA BPR GOLD

EPRA sBPR GOLD

Our strategic ESG pillars

Environmental

Strategic investment in our portfolio to improve environmental impact

13 CLIMATE ACTION
11 SUSTAINABLE CITIES AND COMMUNITIES

Social

Having a positive impact on the people living and working in our homes

3 GOOD HEALTH AND WELL-BEING
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES

Governance

Robust governance and transparent reporting to all stakeholders

8 DECENT WORK AND ECONOMIC GROWTH

Our approach continued

Helping to improve the UK's healthcare infrastructure

Having identified the material issues, we distilled the overarching themes and used them to define the three pillars of our ESG strategy. Improving the UK's social healthcare infrastructure is at the heart of our investment strategy and is therefore a central pillar of our ESG strategy (as outlined in our 2023 Annual report on page 36).

Pillar 1: Strategic investment in our portfolio to improve environmental impact

Objectives	How we do it	Metrics	Performance
Ensure all assets achieve a minimum of EPC Grade C by 2026 and a minimum of B by 2030. Ensure our portfolio is net zero by 2045, with interim targets of: • 15% reduction in absolute carbon emissions on a like-for-like basis by the end of 2025; and • 50% reduction in absolute carbon emissions on a like-for-like basis by the end of 2030. Ensure our portfolio is resilient to climate change.	Investing in assets that are highly energy efficient or have the potential to be with further capex. Modelling the carbon footprint of the portfolio and implementing our net zero strategy and plan. Investing in asset management projects to improve energy efficiency. Climate change scenario planning.	Percentage of assets with EPC of C or higher. Number of assets with improved EPC. Carbon intensity of portfolio in kg CO_2e/m^2/year. Embodied carbon associated with developments and extensions. Percentage of assets with green leases. Absolute carbon emissions. Capex deployed on environment improvements.	93% of portfolio rated C or higher (2022: 88%)[1]. 12 homes with improved EPCs (2022: 5). Carbon intensity has increased to 54 kg CO_2e/m^2/year (2022: 50 kg CO_2e/m^2/year). Asset-specific carbon mapping underway on potential capital projects. 17% (2022: 13%). 15,923 tCO_2e (2022: 13,768 tCO_2e). £741,000 capital deployed on sustainability measures in 2023 (2022: n/a).

Pillar 2: Having a positive impact on the people living and working in our homes

Objectives	How we do it	Metrics	Performance
Support health and wellbeing of vulnerable people. Ensure access to quality and value-for-money care for both the publicly funded and private-pay sectors.	Investing in quality buildings and actively monitoring care provider performance. Developing close partnerships with operators through formal and informal engagement. Conducting detailed due diligence on long-term need for care. Maintaining balance of private and publicly funded residents.	Tenant satisfaction survey. Affordability of rental payments to tenants. Proportion of publicly funded and private-pay residents. Independent impact report. CQC ratings.	82% rate relationship with Impact as moderately or very satisfied (2022: 87%). Rent cover 2.0x (2022: 1.8x). 69% of tenant income funded by NHS/LA (2022: 69%). Not commissioned for 2023. 80.6% of homes rated Good or Outstanding (2022: 78%).

Pillar 3: Robust governance and transparent reporting to all stakeholders

Objectives	How we do it	Metrics	Performance
Be transparent with all stakeholders. Maintain robust corporate governance. Proactively listen and engage with public and private stakeholders.	Maintain clear disclosures on operational performance. Maintain policies on supplier code of conduct, anti-money laundering and bribery. Manage the business in accordance with our responsible investment policy. Engage with tenants on good governance practices.	Investment Manager's UN PRI submission. EPRA sustainability rating. Carbon Disclosure Project rating.	UN PRI Signatory Status (2022: N/A). Gold rated (fourth year running). D rated (2022: F). Signatory of: PRI Principles for Responsible Investment; EPRA BPR Gold; EPRA sBPR Gold; CDP Discloser 2023

1. Based on English equivalent data for Scottish EPCs.

Sustainability highlights

Review of 2023

EPC ratings B or above 57%[1], (2022: 53%[1]), ahead of our target of 50%[1] by 2025

We have continued to review and update our EPC ratings to ensure that they include any energy efficiency works carried out at our properties and are therefore fully representative of the energy efficiency of our portfolio. During 2023 we updated 12 EPCs positively, of which eight moved to a higher band. This positive trend is a result of actions taken, such as the installation of LED lighting and insulation.

CO_2e emissions per m² increased on a like-for-like basis by +8%

This is in part explained by the increased occupancy over the past two years and also by the fact that the improvements we are focusing on are taking time to embed. We are reviewing how we can obtain and monitor energy data on an ongoing basis to better understand the energy performance, trends and potential for energy reduction. Reducing this metric remains a core focus, with an interim target to reduce our emissions by 15% by the end of 2025.

Asset management projects delivering improved environmental performance

In 2023, we completed two projects, all of which resulted in an improved EPC. We also started work on a further three projects, all of which will deliver positive environmental improvements.

Our strategy of primarily focusing on improving existing assets helps to extend their lifespan and is inherently more environmentally sustainable than demolition and new build by preserving and “locking in” the embodied carbon otherwise associated with new build construction.

Improved utility data collection across the portfolio, with meter coverage improving from 89% to 91% of the portfolio’s properties

We collect energy performance data[2] from our tenants to help us establish and analyse the environmental performance of each asset. Obtaining timely, reliable data is key to our ongoing net zero transition and we are continuing to engage with tenants on how we can use this data to help inform their own energy efficiency strategies.

Improved insight into the environmental issues and performance of our portfolio

In addition to conducting on-site, comprehensive environmental surveys on every new potential acquisition, in 2023 we commissioned six “deep dive” net zero surveys to support the development and implementation of our net zero strategy, modelled in 2022. These are helping to inform capital expenditure projections and payback periods.

1. English equivalent
2. Properties where estimated data was less than three months of the year.

Continued to ensure affordability of our rents

During 2023 the average rent cover across our portfolio was 2x, demonstrating that our strategy of setting rents at affordable levels for our tenants enables them to provide quality care to residents from self-pay, NHS and local authority funded sectors. In 2023, 69% of the revenues of our tenants were from publicly funded residents, underlining the importance and value of our care homes to the UK health system and broader society.

Listening to our tenants

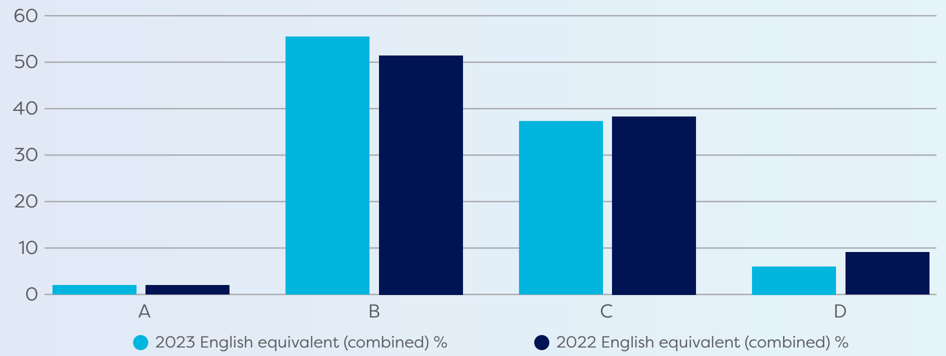
Our external ESG adviser interviewed our tenants (92% coverage) to understand how satisfied they are with their relationship with Impact as a long-term partner and to discuss risks and opportunities. All our tenants recognised that ESG needs to be part of their planning, but understandably, they are also focused on the commercial realities such as payback periods in terms of energy efficiency expenditure.

A key part of this process was to understand better how we can collaborate on key ESG initiatives in the coming years to ensure meet internal and external ESG targets we have set ourselves.

Improving the energy performance of our portfolio

EPC breakdown

English equivalent for UK-wide portfolio[1]



1. Using the official measurements to convert the Scottish rating to the English equivalents

Sustainability highlights continued

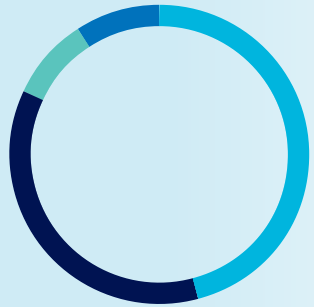
Charitable support

In 2023, we were delighted to establish a partnership with the Care Workers Charity. It supports care workers in times of need, particularly with mental health support, financial grants and advocating for care workers generally. We look forward to supporting its work throughout 2024.

Tenant engagement

In 2023, we have again conducted a tenant survey, facilitated by an independent external body. We are pleased to report a 92% response rate of which 81% of tenants reported having a positive relationship with Impact and viewed as a good long-term partner and 91% reported satisfaction with Impact's level of engagement with them. We are always keen to get feedback from tenants and we seek to maintain and grow our positive relationships with them.

Satisfaction with Impact as long-term partner



Very satisfied	46%
Moderately satisfied	36%
Neutral	9%
Not satisfied at all	9%

Accreditations

EPRA

UNPRI[1]

Signatory of:

CDP

Key areas of focus for 2024:

- **Tenant engagement** – working in partnership with tenants to develop strategies for energy efficiency and CO_2e reduction on individual assets.
- **Improving data collection and analysis** – working with external partners to obtain more granular data on energy consumption.
- **Continuing to invest in sustainability** through asset management projects.
- **Further updating and reviewing of EPCs** – targeted updates to EPCs to ensure we have the most up-to-date and reliable assessment across all our assets.
- **Transparent reporting** – we are intending to submit our initial GRESB report and continue to evaluate other benchmarks which can help us and our stakeholders understand our ESG strategy and performance.

1. Investment Manager holds signatory status.

2 | Supporting data

EPRA sBPR performance report 2023

In tandem with our net zero delivery planning, we continue to make progress on the necessary improvements to our properties to ensure that they comply with future MEES regulation, however there remains more to do to deliver against our interim carbon reduction targets.

As the quality and quantity of our data improves, we're in a better position to engage with tenants to identify opportunities where we can increase energy efficiency, reduce harmful CO_2 emissions and reduce running costs.

1. Introduction

We believe that a robust approach to environmental, social and governance (ESG) matters is intrinsic to our sustainable business model. We are continuing to evolve and update our approach to ESG matters to ensure that it is reflective of both our, and our key stakeholders', interests. As EPRA members we choose to report on our ESG impacts in accordance with the third edition of the EPRA Sustainability Best Practices Recommendations (sBPR). This is our 2023 report and is our fifth EPRA sBPR report, following Gold Awards for the previous four years.

2. Sustainability performance measures

At the end of 2023, our portfolio comprised 140 properties, with 7,721 CQC registered beds, all of which are leased on a full repairing and insuring (FRI) basis to our tenants, who are established healthcare providers. The following data relates to tenant-obtained consumption at 126 out of the 140 properties owned by Impact Healthcare REIT plc where we have been able to obtain data. Where we have been unable to obtain data we have used estimates based on previous years or industry benchmarks. Energy data is obtained through meter readings provided by our tenants. Where we have owned a property for only part of the year, we have pro-rated the energy consumption based on our period of ownership.

Energy and emissions

Absolute

- During 2023, total tenant-obtained energy consumption from electricity and gas across our portfolio was 81,699 MWh (2022: 70,668 MWh).
- Inclusive of all energy sources (LPG and biomass) our total energy consumption was 87,123 MWh (2022: 73,426 MWh).
- The absolute energy intensity (electricity and gas) of the properties included in our portfolio was 10,966 kWh per bed in 2023 (2022: 10,615 kWh per bed), an increase of 3%.
- In 2023, tenant-obtained absolute Scope 3 GHG emissions totalled 15,923 tonnes CO_2e compared to 13,768 tonnes CO_2e in 2022.
- The GHG emissions intensity of our full portfolio was 2.06 tonnes CO_2e per bed (2022: 1.99 tonnes CO_2e per bed), an increase of 4% and 54kg CO_2e per m2 (2022 50kg CO_2e per m^2).

Although our tenants are outside our operational control as independent legal entities, we work collaboratively to share data and identify opportunities to reduce the environmental impact of the properties, such as asset management opportunities, improved energy efficiency and on and off-site renewable energy. Further tenant engagement on energy efficiency is a key part of our net zero plan for 2024.

EPRA sBPR performance report 2023 continued

2. Sustainability performance measures continued

Energy and emissions continued

Environmental performance measures (landlord-obtained)

Impact area	EPRA code	Performance measure	Unit	Scope	2023 Absolute	2022 Absolute
Energy	Elec-Abs; Elec-LfL	Total electricity consumption	MWh	Total landlord-obtained electricity	0	0
	DH&C-Abs; DH&C-LfL[1]	Total district heating and cooling consumption	MWh	Total landlord-obtained electricity	n/a	n/a
	Fuels-Abs; Fuels-LfL	Total fuel consumption	MWh	Total landlord-obtained fuels	0	0
	Energy-Int	Building energy intensity	kWh/bed/year	Building energy intensity	n/a	n/a
Greenhouse gas emissions	GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	tCO_2e	Direct – Scope 1	0	0
	GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	tCO_2e	Indirect – Scope 2 (location-based)	0	0
				Indirect – Scope 2 (market-based)	0	0
	GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	tCO_2e	Indirect – Scope 3	See separate tenant-obtained table below	See separate tenant-obtained table below
	GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	tCO_2e/bed/year	Scopes 1 and 2 greenhouse gas (GHG) emissions	n/a	n/a
	GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	tCO_2e	Indirect – Scope 3	See separate tenant-obtained table below	See separate tenant-obtained table below
	GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	tCO_2e/bed/year	Scopes 1 and 2 greenhouse gas (GHG) emissions	n/a	n/a

1. n/a: DH&C is not applicable as no properties obtain district heating and/or cooling.

EPRA sBPR performance report 2023 continued

2. Sustainability performance measures continued

Energy and emissions continued

Environmental performance measures (tenant-obtained)

Impact area	EPRA code	Performance measure	Unit of measurement	Scope	2023 Absolute	2022 Absolute	% change
Energy	Elec-Abs (tenant obtained); Elec-LfL (tenant obtained)	Total electricity consumption	MWh	Total tenant-obtained electricity	21,197	18,077	+17%
			%	% from renewable sources	n/d[2]	n/d[2]	
	DH&C-Abs (tenant obtained); DH&C-LfL (tenant obtained)[1]	Total district heating and cooling consumption	MWh	Total tenant-obtained electricity	n/a	n/a	
	Fuels-Abs (tenant obtained); Fuels-LfL (tenant obtained)	Total consumption	MWh	Total tenant-obtained electricity	60,502	52,592	+15%
			%	% from renewable sources	4	n/d[2]	
	Energy-Int (tenant obtained)	Building energy intensity	kWh/bed/year	Building energy intensity	10,966	10,615	+3%
Greenhouse gas emissions	GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions from tenant-obtained electricity and gas	Tonnes CO_2e	Indirect – Scope 3	14,482	13,521	+5%
	GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	Tonnes CO_2e/bed/year	Scope 3 greenhouse gas (GHG) emissions	2.02	1.99	+1%

1. n/a: DH&C is not applicable as no properties obtain district heating and/or cooling.
2. Our tenants are responsible for electricity procurement, and we do not know the nature of energy supply mix.

EPRA sBPR performance report 2023 continued

2. Sustainability performance measures continued

Energy and emissions continued

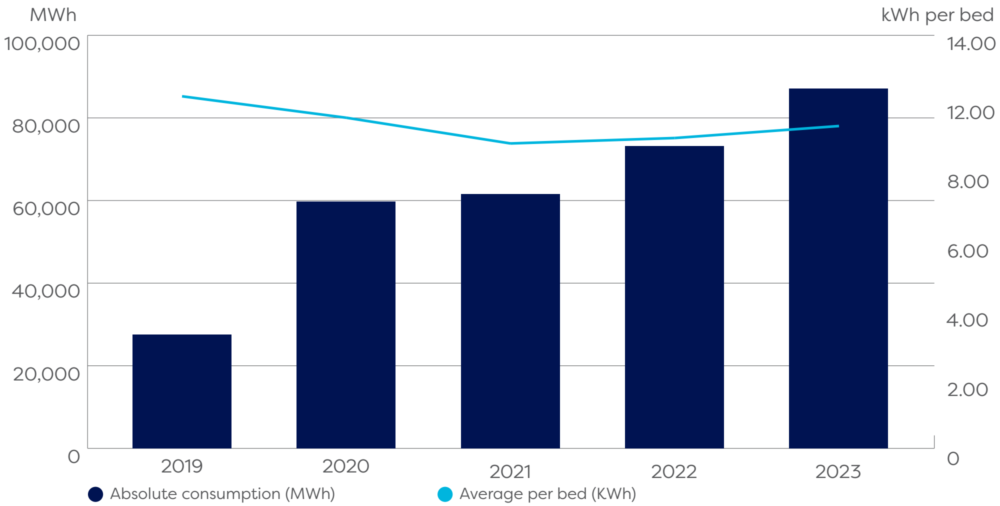
Like for like

To assess longer-term trends, we have analysed consumption and GHG emissions over a five-year period. 2019 forms our baseline year from which we assess the energy performance. The like-for-like assessment includes only assets for which we have at least one year's full data. We have assessed our portfolio on an absolute basis and on an average per bed basis. Over the five-year period:

- Energy consumption per bed decreased by 8% from 2019 to 2023. There was an increase of 2% from 2021 to 2022 which is due to the inclusion of biomass and LPG fuels which have not previously been reported. There was an increase of 4% from 2022 to 2023 as a result of increased occupancy.
- GHG emissions per bed decreased by 23% from 3.1 tonnes CO_2e per bed to 2.06 tonnes CO_2e per bed from the period 2019 to 2023. There was an increase of 6% from 2022 to 2023 which is a result of the corresponding increase in energy consumption.
- GHG emissions decrease and increase at a higher proportion due to changes in the DEFRA carbon factors to reflect higher percentage of renewable energy in the grid.

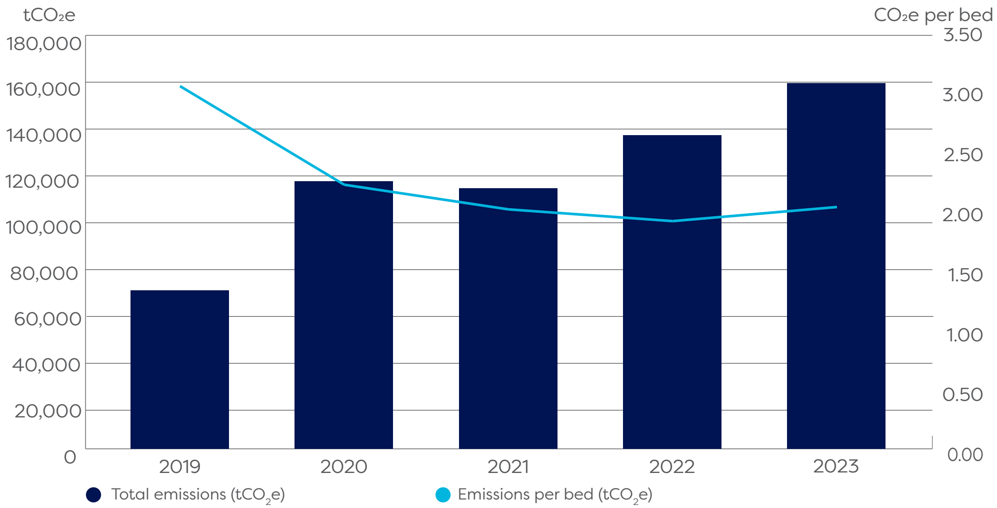
Energy consumption

Year	Number of beds included in data	Absolute consumption (MWh)	Average per bed (KWh)	Year-on-year change
2019	2,232	27,506	12.32	0
2020	5,170	59,793	11.57	-6%
2021	5,766	61,502	10.67	-8%
2022	6,736	73,121	10.86	2%
2023	7,721	87,123	11.28	4%



CO_2e emissions

Year	Number of beds included in data	Total emissions (tCO_2e)	Emissions per bed (tCO_2e)	Emissions per m^2 (tCO_2e)
2019	2,232	6,898	3.09	n/a
2020	5,170	11,640	2.25	n/a
2021	5,766	11,334	2.04	n/a
2022	6,736	13,641	1.94	50
2023	7,721	15,923	2.06	54



EPRA sBPR performance report 2023 continued

2. Sustainability performance measures continued

Environmental performance measures (Investment Manager)

Impact Healthcare REIT plc's portfolio has no reportable direct or indirect (Scope 1 and 2) greenhouse gas emissions. All reported emissions relate to tenant-obtained energy consumption, which are categorised as Scope 3 as defined by the GHG Emissions Protocol, and therefore outside of our direct control. Emissions that are either produced from the company's registered office, or from the offices used to provide administrative support, are deemed to fall under the responsibility of our Company Secretary or Investment Manager respectively. We recognise the crucial function of the Investment Manager and their responsibility for implementing our asset management strategy. Therefore, we have chosen to report the greatest material environmental impact of their activities relating to office occupancy and business travel.

Impact area	EPRA code	Performance measure	Unit of measurement	Scope	2023 Absolute	2022 Absolute	% change
Energy	Elec-Abs	Total electricity consumption	kWh	Total Investment Manager electricity	7,336	5,470	-34%
Energy	Energy-Int	Investment Manager energy intensity	kWh/FTE	Average kWh electricity consumption per FTE in year	733.6	521	-21%
Greenhouse gas emissions	GHG-Indir	Total indirect greenhouse gas (GHG) emissions	tCO_2e	Indirect – Scope 2 (location-based)	1.5	1.1	-12%
Business travel		Business travel – Land – Car	tCO_2e	Scope 3 – Private vehicles (incl. WTT[1])	4.0	3.8	+275%
		Business travel – Land – Air		Scope 3 – Flights (with RF incl. WTT[2])	1.7	1.6	-46%
		Business travel – Land – Rail		Scope 3 – Rail (incl. WTT[2])	0.2	1.2	+493%
Total emissions			tCO_2e		7.44	7.6	-2%

1 Well-to-tank (WTT) business travel – air conversion factors are used to account for the upstream Scope 3 emissions associated with extraction, refining and transportation of the aviation fuel to the plane before take-off.

2 Well-to-tank (WTT) conversion factors for passenger vehicles and business travel on land are used to report the upstream Scope 3 emissions associated with extraction, refining and transportation of the raw fuels before they are used to power the transport mode.

EPRA sBPR performance report 2023 continued

2. Sustainability performance measures continued

Building certifications

Building certifications relate to energy performance certificates (EPCs) in place across our portfolio. 49% of our properties in England and Wales have an energy performance certificate of A or B (2022: 44%), whilst 44% have a C rating (2022: 44%) and 8% a D (2022: 13%).

We continually review the EPCs of the properties in our portfolio to assess how we can upgrade the energy performance of each asset. Initially, our focus is on those properties currently rated C or below. In anticipation of tightening Minimum Energy Efficiency Standards (MEES), we are preparing asset management plans to identify interventions and timescales to improve environmental performance.

We have disclosed data on properties located in Scotland separately as the EPC methodology and rating differs to England and Wales and is not directly comparable. Similar to the rest of the UK, we expect energy efficiency standards to tighten in Scotland and our net zero plan is inclusive of properties in Scotland. In Scotland, 18% of our properties hold an EPC rating above an E (2022: 18%), 59% (2022: 59%) hold an EPC of an E and 24% are rated F or G (2022: 24%).

EPC ratings

Impact area	EPRA code	Performance measure	Unit of measurement	Impact area	2023	2022	% change
Certified assets[1]	Cert-Tot	Type and number of sustainably certified assets (England & Wales)	% by number	EPC A	3%	3%	–
				EPC B	46%	41%	+9%
				EPC C	44%	44%	–
				EPC D	8%	13%	-62%
				EPC E	0%	0%	–
				EPC F	0%	0%	–
				EPC G	0%	0%	–
		Type and number of sustainably certified assets (Scotland)		EPC A	0%	0%	–
				EPC B	0%	0%	–
				EPC C	3%	3%	–
				EPC D	15%	15%	–
				EPC E	59%	59%	–
				EPC F	12%	12%	–
				EPC G	12%	12%	–

1. Due to differences in the methodologies used to calculate EPCs in England & Wales and Scotland, the two systems are not comparable. The proportion of EPCs by rating in Scotland in 2021 and 2022 do not sum to 100 due to rounding. In Northern Ireland, where we own five properties, 2 are band B and 3 are band C.

EPRA sBPR performance report 2023 continued

3. Social and Governance performance measures

EPRA Social performance measures are outside the scope of this report. Impact Healthcare REIT plc has no direct employees. All administrative functions associated with the management of our portfolio are conducted by our Investment Manager, Impact Health Partners LLP, which is a separate legal entity.

Governance

EPRA Governance performance measures relate to the board of Impact Healthcare REIT plc. In 2023 the board comprised six non-executive directors, of whom five were considered independent. The sixth was independent of the Investment Manager but was not considered to be independent because he was a representative of the company's largest shareholder. This board member stepped down in May 2023.

Two board members have significant experience relating to social and environmental topics: independent non-executive director, Rosemary Boot, previously served as finance director of the Carbon Trust and is currently a trustee and member of the finance and management committee of the Green Alliance, and a co-founder and director of Chapter Zero; independent non-executive director, Amanda Aldridge, is a non-executive director and chair of the audit and risk committees of the Low Carbon Contracts Company Limited and The Electricity Settlements Company Limited.

For full background information on our Governance performance measures, including a profile of the board, a description of our nomination procedures, and processes for managing potential conflicts of interest, please see pages 49-68 of our annual report.

Board composition

Impact area	EPRA code	EPRA name	Unit of measurement	Indicator	2023
Governance - Board composition	Gov-Board	Composition of the highest governance body	Headcount	Non-executive board members	6
			Headcount	Independent non-executive board members	6
			Years	Average tenure on the governance body	4.75
			Headcount	Independent/non-executive board members with competencies relating to environmental and social topics	2
Governance - Board selection	Gov-Select	Nominating and selecting the highest governance body	Description	Please see our annual report, section "Nomination Committee report" page 57.	
Governance - Conflicts of interest	Gov-Col	Process for managing conflicts of interest	Description	Please see section 4.13 of the Impact Healthcare REIT plc prospectus[1] for information on approach to managing potential conflicts of interest.	

[1] https://www.impactreit.uk/wp-content/uploads/2022/01/Project-Javelin-Prospectus-PDF-FINAL_.pdf

EPRA sBPR performance report 2023 continued

4. Overarching recommendations

Organisational boundaries

This report covers the properties owned by Impact Healthcare REIT plc. The activities of our Investment Manager, Impact Health Partners LLP, which is responsible for all management and administrative functions, are outside the scope of this report as it is a separate legal entity.

Coverage

All absolute performance measures relating to electricity, fuels and associated GHG emissions cover the properties leased and managed by our registered providers, and therefore represents tenant-obtained data. Data coverage represents 126 out of the 140 properties within our portfolio for electricity and gas. Achieving high coverage for data for which we do not have operational control reflects our strong relationships with our tenants and shared understanding of our environmental impact. We continue to engage with our tenants to collaborate on data sharing and will endeavour to maintain our progress in this area.

Like-for-like performance measures are the absolute and average per bed energy consumption and associated CO_2e emissions for the years 2019 to 2023 for the properties in our portfolio for which we have this data.

Building certifications cover 100% of the properties in our portfolio.

Boundaries – reporting on landlord and tenant consumption

All properties are leased to single occupiers on FRI leases, meaning there is no landlord-obtained consumption. We have thus reported zero consumption for the main EPRA environmental sBPR performance measures. In keeping with good practice, we disclose tenant-obtained consumption (i.e. from bills that the tenants receive directly from the utility supplier) in separate tables.

Estimation of landlord-obtained utility consumption

All tenant-obtained data included in our like-for-like portfolio is 100% based on meter readings and invoices. Where we have been unable to obtain data we have used estimated data for a period of equivalent climatic conditions. On this basis the amount of estimated data is as below.

15% of tenant-obtained electricity consumption is estimated for Elec-Abs

15% of tenant-obtained gas consumption is estimated for Fuels-Abs

Analysis – normalisation

For Impact Healthcare REIT plc, absolute and like-for-like performance measures are by far the most important indicators to disclose and track for tenant-obtained consumption. We report intensity metrics (using the number of registered beds as the denominator) where this provides a useful benchmark to compare the performance of our care homes.

Analysis – segmental analysis (by property type, geography)

Segmental analysis is provided for energy performance certificates (EPCs), as EPC ratings are not comparable between England & Wales and Scotland.

Reporting period

Absolute performance measures are reported for the most recent reporting year (January to December 2023). Like-for-like performance measures are reported for the five most recent years that we can collect consumption data (2019, 2020, 2021, 2022 and 2023).

Intensity metrics are reported for the most recent reporting year with energy consumption pro-rated for properties we have not owned for the full reporting period.

Disclosure on own offices

The performance measures exclude data from our registered office in London (as it is not occupied by the company) and the activities of our Investment Manager. Utilities associated with our Investment Manager's own office consumption and employee-related performance measures are excluded as they fall outside the scope of our organisational boundaries.

Data verification and assurance

All data generated is reviewed for consistency and coherence before being released into the company reporting database. Data is consistent with that disclosed in our audited annual report and accounts 2023.

Following our materiality assessment, the following EPRA performance measures are not considered material. We have therefore excluded them from our reporting:

Performance measure	Explanation
Water-Abs, Water-LfL and Water-Int	All water consumption is the direct responsibility of our tenants and therefore outside our operational control. Unlike energy and carbon, there are also fewer opportunities for us to influence the water consumption of our tenants.
Waste-Abs and Waste-LfL	All waste is the direct responsibility of our tenants and therefore outside our operational control. Unlike energy and carbon, there are also fewer opportunities for us to influence the waste practices of our tenants.
Diversity-Emp Diversity-Pay Emp-Training Emp-Dev Emp-Turnover H&S-Emp	Impact Healthcare REIT plc has no direct employees. All administrative functions associated with the management of our portfolio are conducted by our Investment Manager, Impact Health Partners LLP, which is a separate legal entity and therefore outside the organisational boundaries of this report.
H&S-Asset H&S-Comp	Due to the nature of our lease arrangements, all maintenance work, including health and safety assessments, is conducted by our tenants and Impact Healthcare REIT plc has no operational oversight.
Comty-Eng	Due to the nature of our lease arrangements, Impact Healthcare REIT plc has no direct interaction with communities where its assets are located.

TCFD

In 2022, we included our initial response to the Task Force on Climate-related Financial Disclosures (TCFD) methodology, where we reported across the framework's four key pillars of governance, strategy, risk management, and metrics and targets and responded to the underlying 11 recommended disclosures. In line with the TCFD's suggested approach, we considered a 1.5-2 degrees warming scenario, based on the Intergovernmental Panel on Climate Change's (IPCC) defined Representative Concentration Pathway 2.6 and assessed the associated physical and transition risks. We also considered IPCC's RCP 4.5 (2-3.5 degrees warming) and RCP 8.5 (4 degrees warming). We have not repeated that broad analysis in this year's disclosure but focused on more material priorities.

During 2023 we have made good progress in terms of continuing to develop our understanding, management, measurement and decision-making in regards to climate action. The Investment Manager has established an ESG committee chaired by the Finance Director; we have continued to develop a credible climate net zero delivery plan and model the associated finances; and, building on last year's TCFD analysis, we have considered specific material risks and opportunities in greater detail, which we have included below. For our full TCFD disclosure, please visit pages 105-112 of our 2023 annual report.

Detailed review of risks and opportunities

Flooding

Probability: Medium	●●●○
Impact: Moderate	●●○○
Change in the year: No change	⇔
Risk appetite: Cautious	●●○○
Timescale: Medium/Long	●●●○

Disruption to provision of care or possible closure of care home

How we are assessing the risk

Using the Environment Agency's (EA) current data, we have assessed all care homes within our portfolio for flood risk related to seas, rivers, surface and ground water. We have also cross-referenced IPCC longer-term data which we had mapped against a representative 20 care homes in our portfolio. As regards EA's current data, we have identified 12 assets which are potentially at high risk (greater than 3.3% chance of flooding each year), and within our longer-term assessment, we have identified three properties from our representative sample which are at high risk from rising sea levels under a high-emissions longer-term scenario.

Flooding risk is also included in our due diligence sustainability reports for new acquisitions. During 2024, we will conduct a more detailed risk assessment for those considered high risk, reviewing aspects such as local authority flood defence planning.

How we manage this risk

All of our care homes are fully insured against damage, including loss of rent. Our tenants separately have insurance for loss of earnings for their own business. Where flood risk has been identified, or occurred, we look to work with our tenants and insurers to enhance the flood defences and safety for residents.

Opportunity

Increased investment in our homes and capital deployed in return for increased rent.

Improved long-term care of residents.

Additional capital expenditure

Probability: High	●●●●
Impact: Moderate	●●○○
Change in the year: No change	⇔
Risk appetite: Cautious	●●○○
Timescale: Medium/Long	●●●○

Additional costs required to improve energy efficiency and realise net zero targets

How we are assessing the risk

We have mapped and estimated a capex profile from the present day until 2045, when we plan to be net zero. We are targeting approximately 15% of our asset management budget towards energy-efficiency improvements.

During 2023, we conducted a first round of on-site energy audits to verify our net zero modelling assumptions. These findings and costings are being incorporated into our climate transition planning.

How we manage this risk

Our leases with our tenants are fully insuring and repairing and require tenants to ensure the property is compliant with legislation. Therefore, as legislation comes in to align with these targets, our tenants will be responsible for the cost and have the ability to factor this in to the cost of their services.

We are working with our tenants to ensure our buildings are well prepared for future legislation and our ESG targets. We do this by having a good understanding of the environmental performance of our homes We also ensure that any capital improvements that require our permission include some environmental enhancements.

Opportunity

Increased investment in our homes and capital deployed in return for increased rent.

Ability to utilise improvements in technology to help reduce the carbon footprint of our portfolio.

Improved long-term care of residents.

TCFD continued

Detailed review of risks and opportunities continued

Regulation

Probability: High	●●●●
Impact: Moderate	●●○○
Change in the year: No change	⇔
Risk appetite: Cautious	●●○○
Timescale: Medium/Long	●●●○

Potential loss of value for assets not meeting expected future standards. Assets may become "stranded" by evolving environmental legislation

How we are assessing the risk

We work closely with environmental and political consultants to help us understand future proposals for any changes in regulation and we appraise our portfolio against these proposed regulations.

For new acquisitions, we have set ourselves a target of an EPC B rating or the ability to achieve a B rating in the short term. We also undertake environmental due diligence including CRREM analysis to model stranding year and key mitigations. An objective of our net zero delivery plan is to ensure our portfolio is upgraded to meet our targets.

We now have full visibility of EPCs across our entire portfolio of properties and have an active asset management improvements schedule in place to ensure we are compliant with anticipated 2030 MEES regulation. Our leases require our tenant operators to ensure the buildings are in compliance with legislation.

How we manage this risk

As explained above, our leases require our tenant operators to ensure the buildings are in compliance with legislation.

Opportunity

Increased investment in our homes and capital deployed in return for increased rent.

Ability to utilise improvements in technology to help reduce the carbon footprint of our portfolio.

Cost of carbon

Probability: Medium	●●●○
Impact: Moderate	●●○○
Change in the year: No change	⇔
Risk appetite: Cautious	●●○○
Timescale: Medium	●●●○

Introduction of carbon levy by government to encourage reduction in carbon emissions that results in additional taxation liability for the company

How we are assessing the risk

The Investment Manager has held two workshops to discuss the possible options regarding carbon pricing/taxation and how best to introduce this into our business strategy and financial planning.

We continue to ensure we are capturing as much underlying data from our tenants on our Scope 3 emissions as possible.

We will continue to monitor the situation in 2024 and also ensure that we are compliant with future ISSB/government guidance. We expect to start to embed an internal carbon price within our planning to inform decision-making.

How we manage this risk

By understanding the legislation being applied in other countries we are able to model similar legislation being applied in the UK and ensuring this can be incorporated into our risk modelling in 2024.

Opportunity

With increased regulation there is the opportunity for our tenants to charge increased fees for their services and therefore enable us to increase our investment in our homes in return for an increased rent.

TCFD continued

Additional risks and opportunities disclosed in 2022

Water stress and heatwaves

Probability: Medium	●●●○
Impact: Significant	●●●●
Change in the year: No change	⇔
Risk appetite: Cautious	●●○○
Timescale: Medium/Long	●●●○

Environment within assets is detrimental for wellbeing of residents and staff and additional capex is required to retro fit cooling and improve water use

How we are assessing the risk

Our net zero strategy includes assumptions on additional cooling requirements for existing assets.

We will continue to work with our environmental consultants to help us understand the expected regular peak temperatures across the UK as a result of a 1.5° or more global increase in temperature and ensure this is factored into our design parameters when approving asset management activity.

How we manage this risk

This continues to be work in progress to understand on an asset-by-asset basis what the implications could be and how we can mitigate these.

Opportunity

Increased investment in our homes and capital deployed in return for increased rent.

Market

Probability: Medium	●●●○
Impact: Moderate	●●○○
Change in the year: No change	⇔
Risk appetite: Cautious	●●○○
Timescale: Medium	●●●○

Investors and markets increasing awareness of environmental performance. If we fail to communicate a strategy and implications for our portfolio, investors are less likely to want to invest in our business

How we are assessing the risk

We are undertaking a significant amount of work to ensure we can deliver against our ESG strategy and net zero targets and communicate the risks and opportunities that come with this.

We regularly engage with investors and ensure we are open and transparent about our business in our reporting to ensure we understand any investor concerns and address these.

How we manage this risk

Alongside investor engagement we have already retained our EPRA sBPR Gold award for our sustainability reporting and a D rating for our initial Carbon Disclosure Project submission (a voluntary disclosure for companies seeking to be transparent on climate-related risks and opportunities).

In 2024 we are looking to gain GRESB accreditation which will provide investors with incremental benchmarking about the quality of information we hold on our portfolio.

Opportunity

By taking our environmental targets seriously and transparently reporting, more investors could be interested in investing in our business.

Reputation

Probability: Medium	●●●○
Impact: Moderate	●●○○
Change in the year: No change	⇔
Risk appetite: Minimalist	●○○○
Timescale: Short	●○○○

Investors, tenants and commissioners may have increasing expectations of real estate owners for environmental issues and if we fail to meet these or deliver against our objectives and net zero targets our reputation would be damaged and stakeholders may be less willing to engage with us

How we are assessing the risk

We are continuing to appraise our portfolio and collect as much evidence as possible to be able to benchmark and report on our portfolio.

How we manage this risk

We aim to be fully transparent and honest about our ESG targets, the activities we are undertaking and how we are performing against these. Our aim is to achieve these targets and provide comfort that the company is committed to improving environmental standards.

Opportunity

If we are successful in communicating and delivering against these targets, existing stakeholders will want to continue to work with us and, potentially, more will be keen to work with us.

Impact
Healthcare
REIT

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