

EPRA Sustainability Best Practice Recommendations

Compliance tables and narrative on performance

Prepared for Impact Healthcare REIT plc



Overarching recommendations & narrative on performance

Introduction

Company profile

Impact Healthcare REIT plc is a real estate investment trust traded on the Premium Segment of the Main Market of the London Stock Exchange. Our aim is to provide shareholders with an attractive return, by investing in a diversified portfolio of UK healthcare real estate assets, in particular residential care homes.

At the end of 2019, our portfolio comprised 86 properties, with 4,274 registered beds, leased on a full repairing and insuring (FRI) basis to our tenants who are established healthcare providers.

All administrative services are provided by our Investment Manager, Impact Health Partners LLP, who identifies investments and makes recommendations to the board, carries out the transactions the board approves, monitors the progress of our homes, and provides portfolio management services to the Group. It also recommends the asset management strategy for board approval and then implements it.

As EPRA members, we have chosen to report our environmental, social and governance data in accordance with the 3rd edition of the EPRA Sustainability Best Practices Recommendations (sBPR). Our reporting response has been split into two sections:

1. Overarching Recommendations

2. Performance Measures

1. Overarching Recommendations

Organisational boundaries

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

Although our tenants are also outside our operational control as independent legal entities, they operate the assets we own, largely as residential care homes. In keeping with good practice, we nonetheless engage with them to obtain information on tenant-obtained utilities in order to report and monitor the performance of our homes in use.

Coverage

Unless otherwise stated, all absolute performance measures relating to electricity, fuels and associated GHG emissions cover the properties leased and managed by Minster Care Group who operates both the Minster and Croftwood care homes. These account for 59 out of the 86 properties within our portfolio, representing 2,781 out of 4,274 registered beds at the end of 2019.

All other acquisitions are more recent, therefore we are putting in place measures to capture more data from other tenants, which will be included in future reports.

Like-for-like performance measures include properties within this scope for which we have collected two years' worth of consistent, non-estimated data – and excludes properties sold, acquired or under development during 2019

and 2018. Our like-for-like portfolio therefore represents 52 out of the 59 properties operated by the Minster Care Group over that period.

Building certifications cover 100% of the 86 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, though, we are disclosing 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

As there is no landlord-obtained consumption, estimations are not applicable. All tenant-obtained data is 100% based on meter readings.

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 organised by the property classification used in our financial reporting (see our Annual Report, p. 1) which defines our investment portfolio as healthcare assets comprising 86 properties located across the UK. Additional segmental analysis provided for Energy Performance Certificates (EPCs), as EPC ratings are not comparable between England and Wales and Scotland (see Narrative on performance).

Reporting period

Absolute performance measures and intensity metrics are reported for the most recent reporting year (2019). Like-for-like performance measures are reported for the two most recent years that we are able to collect consumption data (2019 and 2018).

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 released into the company reporting database. External verification or assurance by a third party is not currently undertaken.

Materiality

During 2019 we undertook a strategic review to determine our approach to sustainability issues, develop our environmental and social policies, and bring these together with governance into an overarching ESG policy, along with a data-gathering exercise to determine the baseline for these elements of our performance.

The review included a comprehensive materiality assessment to identify the material sustainability issues for Impact Healthcare REIT plc. The assessment included four external tests to understand stakeholder views, peer practices, the legislative environment and investor expectations, along with an internal review against our business model and strategy. Following a validation exercise, we identified 12 material topics that reflect our direct impacts and our ability to influence positive change through our portfolio. They include:

1. Transparent disclosure
2. Corporate Governance
3. Investor attraction and retention
4. Energy and carbon
5. Accessibility
6. Tenant attraction & retention
7. Local government, community & NGO relations
8. Building health, well-being & productivity
9. Climate change adaptation
10. Demographic change
11. Building labels and standards
12. Sustainable procurement

As a consequence of this 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 & 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 & 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	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.
Diversity-Pay	
Emp-Training	
Emp-Dev	

Emp-Turnover	
H&S-Emp	
H&S-Asset	Due to nature of our lease arrangements, all maintenance work, including health and safety assessments, are conducted by our tenants and Impact Healthcare REIT plc has no operational oversight.
H&S-Comp	
Comty-Eng	Due to nature of our lease arrangements, Impact Healthcare REIT plc has no direct interaction with communities where its assets are located.

Narrative on performance

Environmental performance

Energy and emissions

During 2019, absolute tenant-obtained electricity consumption was 7,283 MWh. On a like-for-like basis, there was an 3.6% decrease compared with 2018. Absolute tenant-obtained fuel consumption (natural gas) in 2019 was 27,393 MWh. On a like-for-like basis, there was an 1.8% decrease compared with 2018. The energy intensity (electricity and gas) of the properties included in our reporting was therefore 12,469 kWh per bed in 2019.

Impact Healthcare REIT plc has no reportable direct or indirect (Scopes 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. Any 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.

While the Group does not control the day-to-day running of its properties, our business model offers numerous opportunities to maximise opportunities and minimise the risks associated with ESG issues. These range from strategy and due diligence procedures applied to asset selection and acquisitions, to the emphasis on securing leases with operators who demonstrate the highest quality of care to residents, and working with them to identify asset management opportunities, and including aspects such as energy efficiency and decarbonisation through the use of renewable energy.

Building certifications

Building certifications relate to energy performance certificates which are currently in place across 100% of our portfolio. The majority of our properties in England and Wales (85%) have an energy performance certificate between A and C, with the remaining 15% holding an EPC of D. As part of our asset management strategy, we are undertaking a review of our buildings with an EPC rating of C and below, and preparing asset management plans to improve these ratings to remain ahead of evolving MEES regulations.

In Scotland, five of our properties hold an EPC rating of E, and the remaining two hold an EPC of F and G. EPC ratings cannot be compared between Scotland and England and Wales due to differences in the methodologies applied. All our properties in Scotland comply with energy efficiency standards in line with 2002 building regulations.

Social performance

Governance

Governance Performance Measures relate to the board of Impact Healthcare REIT plc. The board comprises five non-executive directors, of which four are considered independent of the Investment Manager, Impact Heath Partners

LLP. The fifth is independent of the Investment Manager but is not considered to be independent because he is a representative of the Company's largest shareholder.

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 member and director of Chapter Zero; independent non-executive director, Amanda Aldridge, is a non-executive director and audit committee chair designate 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 52-55 of our Annual Report, and section 4.13 of the Company prospectus.

2. Performance Measures

Environmental performance measures (landlord-obtained)

Impact Area	EPRA Code	Performance measure	Unit of measurement	Scope	2019 Absolute	2018 Like-for-Like	2019 Like-for-Like	% change 2018/2019
Energy	Elec-Abs; Elec-LfL	Total electricity consumption; Like-for-like total electricity consumption	MWh	Total landlord-obtained electricity	0	0	0	0%
	DH&C-Abs; DH&C-LfL	Total district heating & cooling consumption; Like-for-like district heating & cooling consumption	MWh	Total landlord-obtained electricity	n/a	n/a	n/a	n/a
	Fuels-Abs; Fuels-LfL	Total fuel consumption; Like-for-like fuel consumption	MWh	Total landlord-obtained fuels	0	0	0	0%
	Energy-Int	Building energy intensity	kWh / bed / year	Building energy intensity	n/a			
Greenhouse gas	GHG-Dir-Abs	Total direct greenhouse gas (GHG) emissions	t CO2e	Direct - Scope 1	0			
	GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	t CO2e	Indirect - Scope 2 (location-based)	0			

Impact Area	EPRA Code	Performance measure	Unit of measurement	Scope	2019 Absolute	2018 Like-for-Like	2019 Like-for-Like	% change 2018/2019
				Indirect - Scope 2 (market-based)	0			
	GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	t CO2e	Indirect - Scope 3	See separate tenant-obtained table below			
	GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	t CO2e / bed / year	Scopes 1 & 2 greenhouse gas (GHG) emissions	n/a			
Certified assets*	Cert-Tot	Type and number of sustainably certified assets (England & Wales)	% by number	EPC A	5%			
			% by number	EPC B	28%			
			% by number	EPC C	53%			
			% by number	EPC D	14%			

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

*EPC ratings and coverage refer to our portfolio in England & Wales where the majority of our properties are located. In addition, we have seven properties in Scotland: five of which have an EPC rating of E, and the remaining two have an EPC rating of F and G respectively. Due to differences in the methodologies used to calculate EPCs in England and Wales and Scotland, the two systems are not comparable.

Environmental performance measures (tenant-obtained)

Impact Area	EPRA Code	Performance measure	Unit of measurement	Scope	2019 Absolute	2018 Like-for-Like	2019 Like-for-Like	% change 2018/2019
Energy	Elec-Abs (tenant obtained); Elec-LfL (tenant obtained)	Total electricity consumption; Like-for-like total electricity consumption	MWh	Total tenant-obtained electricity	7,283	6,193	5,967	-3.6%
		%		% from renewable sources	0%	0%	0%	0%

Impact Area	EPRA Code	Performance measure	Unit of measurement	Scope	2019 Absolute	2018 Like-for-Like	2019 Like-for-Like	% change 2018/2019
	DH&C-Abs (tenant obtained); DH&C-LfL (tenant obtained)	Total district heating & cooling consumption; Like-for-like district heating & cooling consumption	MWh	Total tenant-obtained electricity	n/a	n/a	n/a	n/a
	Fuels-Abs (tenant obtained); Fuels-LfL (tenant obtained)	Total fuel consumption; Like-for-like fuel consumption	MWh	Total tenant-obtained gas	27,393	22,730	22,320	-1.8%
		%	%	% from renewable sources	0%	0%	0%	0%
Greenhouse gas	Energy-Int (tenant obtained)	Building energy intensity	kWh / bed / year	Building energy intensity	12,469			
	GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	t CO2e	Indirect - Scope 3	7,056			
	GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	t CO2e / bed / year	Scope 3 greenhouse gas (GHG) emissions	2.5			

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

Social and governance performance measures

Impact Area	EPRA Code	EPRA Name	Unit of measure	Indicator	2019
Governance - Board composition	Gov-Board	Composition of the highest	#	Non-executive board members	1

		governance body	#	Independent non-executive board members	4
			Years	Average tenure on the governance body	2.5
			#	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'	
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 Available to download at: <https://www.impactreit.uk/wp-content/uploads/2019/02/IHR-Prospectus-Feb-2019.pdf>