

EPRA Sustainability Best Practice Recommendations

Compliance tables and narrative on performance

For the year ended 31 December 2020

Prepared for Impact Healthcare REIT plc



EPRA Sustainability Best Practices Performance Report

1. Introduction

We believe that a robust approach to environmental, social and governance (ESG) issues is intrinsic to developing a strong, sustainable business. ESG is therefore a fundamental part of our business model. Our ESG Policy governs our environmental and social conduct and the way we manage our business. It sets out seven core principles through which we aim:

- to be transparent in our conduct and reporting
- to create homes which are better prepared for the future – more efficient, more climate resilient, more comfortable for our tenants' residents and staff, and respectful of the environment
- to foster co-operative and successful relationships with tenants, residents, shareholders and lenders, to create long-term shared value for all
- acknowledging the importance of and utilising our relationships with our tenants, we also aim to create and support a healthy, safe and positive living environment, which the residents are proud to call home

To support these goals, we have chosen to align our ESG reporting with the 3rd edition of the EPRA Sustainability Best Practice Recommendations (sBPR). This is our second EPRA sBPR report, following a Gold Award in 2019.

The information in this report provides an account of our performance against the material sBPR Performance Measures that were identified as part of a strategic sustainability review conducted in 2019 (see Methodological Notes below). It is designed to complement our Annual Report 2020, which includes further information on our sustainability strategy, our core sustainability principles, our ESG Policy and priorities for 2020 and 2021.

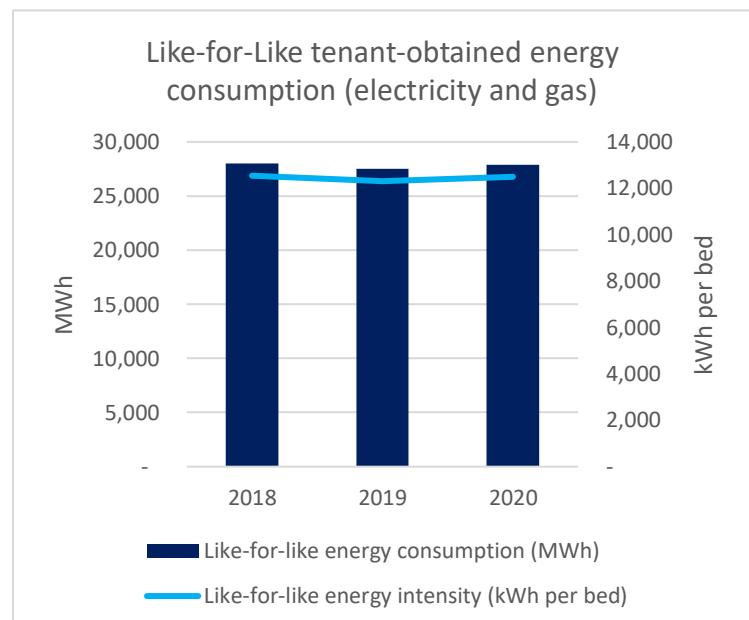
2. Environmental performance

At the end of 2020, our portfolio comprised 107 completed properties, with 5,830 registered beds, leased on a full repairing and insuring (FRI) basis to our tenants who are established healthcare providers. The following data therefore relates to tenant-obtained consumption at 90 out of the 107 properties owned by Impact Healthcare REIT plc.

Energy and emissions

During 2020, total tenant-obtained energy consumption from electricity and gas across our portfolio was 59,019 MWh. On a like-for-like basis, energy consumption decreased by 0.4% from 28,033 MWh in 2018 to 27,914 MWh in 2020. This was driven by a 4% reduction in electricity consumption which offset a 2.6% increase in gas consumption over the same period.

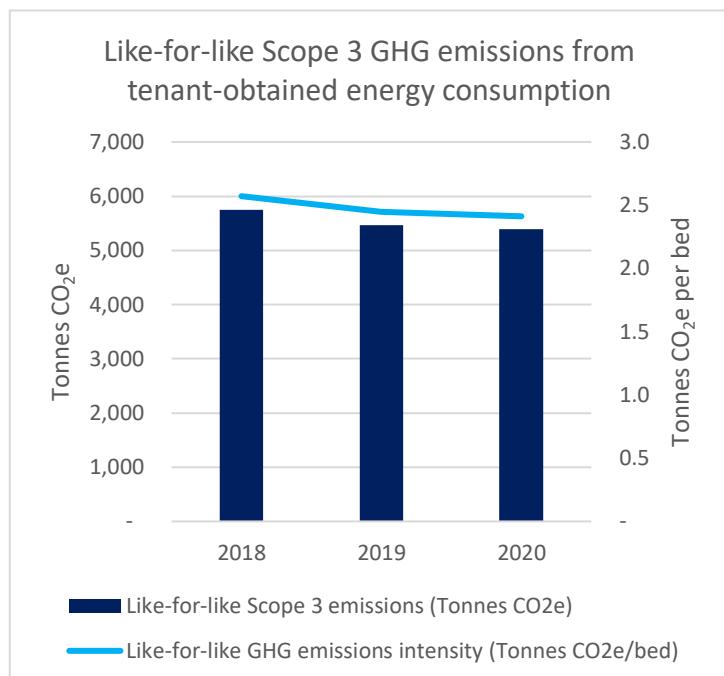
The energy intensity (electricity and gas) of the properties included in our portfolio was 11,930 kWh per bed in 2020. On a like-for-like basis, energy intensity decreased by 0.4% from 12,542 kWh per bed in 2018 to 12,489 kWh per bed in 2020.



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.

In 2020, Scope 3 emissions from tenant obtained electricity and gas totalled 11,595 tonnes CO₂e (using location-based emissions factors supplied by DEFRA). On a like-for-like basis, Scope 3 emissions reduced by 6.1% from 5,747 tonnes in 2018 to 5,391 tonnes in 2020. The GHG emissions intensity of our portfolio improved by the same proportion, from 2.57 tonnes CO₂e per bed in 2018, to 2.41 per bed in 2020.

Although our tenants are outside our operational control as independent legal entities, our business model offers numerous opportunities to maximise opportunities and minimise the risks associated with energy consumption. These range from strategy and due diligence procedures applied to asset selection and acquisitions, to working with tenants to identify asset management opportunities, and including aspects such as energy efficiency and decarbonisation through the use of renewable energy.



For further information on our activities and priorities, please see the Sustainability section of our 2020 Annual Report.

Environmental performance measures (landlord-obtained)

Impact Area	EPRA Code	Performance measure	Unit	Scope	2019 Absolute	2018 Like-for-Like	2019 Like-for-Like	% change 2018/2019
Energy	Elec-Abs; Elec-LfL	Total & like-for-like electricity consumption	MWh	Total landlord-obtained electricity	0	0	0	0%
	DH&C-Abs; DH&C-LfL	Total & 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 & 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 CO ₂ e	Direct - Scope 1	0			
	GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	t CO ₂ e	Indirect - Scope 2 (location-based)	0			
				Indirect - Scope 2 (market-based)	0			

Impact Area	EPRA Code	Performance measure	Unit	Scope	2019 Absolute	2018 Like-for-Like	2019 Like-for-Like	% change 2018/2019
	GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions	t CO ₂ e	Indirect - Scope 3	See separate tenant-obtained table below			
	GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	t CO ₂ e / bed / year	Scopes 1 & 2 greenhouse gas (GHG) emissions	n/a			

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

Environmental performance measures (tenant-obtained)

Impact Area	EPRA Code	Performance measure	Unit	Scope	2020 Absolute	2018 Like-for-Like	2019 Like-for-Like	2020 Like-for-Like	% change 2018/2020
Energy	Elec-Abs (tenant obtained); Elec-LfL (tenant obtained)	Total & like-for-like electricity consumption	MWh	Total tenant-obtained electricity	15,093	5,957	5,721	5,265	-4%
			%	% from renewable sources	0%	0%	0%	0%	0%
	DH&C-Abs (tenant obtained); DH&C-LfL (tenant obtained)	Total & like-for-like district heating & cooling consumption	MWh	Total tenant-obtained electricity	n/a	n/a	n/a	n/a	n/a
	Fuels-Abs (tenant obtained); Fuels-LfL (tenant obtained)	Total & like-for-like fuel consumption	MWh	Total tenant-obtained gas	43,926	22,076	21,784	22,649	2.6%
	Energy-Int (tenant obtained)	Building energy intensity	kWh / bed / year	Building energy intensity	11,930	12,542	12,306	12,489	-0.4%
Green-house gas	GHG-Indir-Abs	Total indirect greenhouse gas (GHG) emissions from tenant obtained electricity and gas	Tonnes CO ₂ e	Indirect - Scope 3	11,595	5,747	5,467	5,392	-6.1%
	GHG-Int	Greenhouse gas (GHG) emissions intensity from building energy consumption	Tonnes CO ₂ e / bed / year	Scope 3 greenhouse gas (GHG) emissions	2.34	2.57	2.45	2.41	-6.2%

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

Building certifications

Building certifications relate to energy performance certificates which are currently in place across 100% of our portfolio. Most our properties in England and Wales (88%) have an energy performance certificate between A and C, with the remaining 12% holding an EPC of D.

It is likely that MEES regulations governing EPCs will continue to tighten, and that an EPC rating of B will be required by 2030 before a new or existing lease on a commercial property can continue. As part of our asset management strategy, we are therefore 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. We have also worked closely with data specialists to gain a better understanding of energy use across our portfolio to inform these plans. Consequently, we have increased the scope of properties included in our environmental reporting from 59 in 2019 to 90 in 2020.

In Scotland, 5% of our properties hold an EPC rating of A, 11% hold an EPC rating of D, and 58% hold a rating of E. The remaining hold EPCs 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.

For further information on our activities and priorities, please see the Sustainability section of our Annual Report 2020.

EPC ratings

Impact Area	EPRA Code	Performance measure	Unit of measurement	Impact Area		2019	2020
				EPC A	EPC B		
Certified assets*	Cert-Tot	Type and number of sustainably certified assets (England & Wales)	% by number	EPC A	5	5	
			% by number	EPC B	28	29	
			% by number	EPC C	53	54	
			% by number	EPC D	14	12	
		Type and number of sustainably certified assets (Scotland)	% by number	EPC A	0	5	
			% by number	EPC B	0	0	
			% by number	EPC C	0	0	
			% by number	EPC D	0	11	
			% by number	EPC E	71	58	
			% by number	EPC F	14	16	
			% by number	EPC G	14	11	

*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 do not sum to 100 due to rounding. In Northern Ireland, where we own three properties, all have an EPC rating of C

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. The board comprises five non-executive directors, of which four are considered independent. 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 co-founder and director of Chapter Zero; Independent Non-executive Director, Amanda Aldridge, is a non-executive director and audit committee chair 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 53-57 of our Annual Report, and section 4.13 of the Company prospectus.

Board composition

Impact Area	EPRA Code	EPRA Name	Unit of measure	Indicator	2020
Governance - Board composition	Gov-Board	Composition of the highest governance body	#	Non-executive board members	1
			#	Independent non-executive board members	4
			Years	Average tenure on the governance body	3.5
			#	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.	

4. Methodological Notes

Organisational boundaries

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

¹ Available to download at: <https://www.impactreit.uk/wp-content/uploads/2019/02/IHR-Prospectus-Feb-2019.pdf>

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 90 out of the 107 properties within our portfolio for electricity (representing 4,947 out of 5,830 registered beds), and 89 properties for gas (representing 4,893 beds).

Like-for-like performance measures include properties for which we have collected three years' worth of consistent, non-estimated data. They exclude properties sold, acquired or under development between 2018 and 2020. Our like-for-like portfolio therefore represents 49 out of 50 applicable properties for electricity consumption, and 44 out of 45 applicable properties for gas consumption.

Building certifications cover 100% of the 107 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. For properties included in our absolute portfolio, consumption data is estimated if we acquired the property during the 2020 calendar year. In these instances, we have estimated consumption by dividing the annual consumption by 12 months, and multiplying the average monthly usage by the number of months that property was owned by Impact Healthcare REIT. On this basis, the following estimations apply:

- 11.6% of tenant-obtained electricity consumption is estimated for Elec-Abs
- 8.9% 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 organised by the property classification used in our financial reporting (see our Annual Report, p. 23) which defines our investment portfolio as healthcare assets located across the UK. Additional segmental analysis is provided for Energy Performance Certificates (EPCs), as EPC ratings are not comparable between England and Wales and Scotland.

Reporting period

Absolute Performance Measures are reported for the most recent reporting year (2020). Like-for-like performance measures are reported for the three most recent years that we can collect consumption data (2018, 2019 and 2020).

Intensity metrics are reported for the most recent reporting year, and are calculated for properties that we have owned for the full reporting year to avoid estimations.

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 our 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

Following 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.