Reporting against the Task Force on Climate-Related Financial Disclosures framework

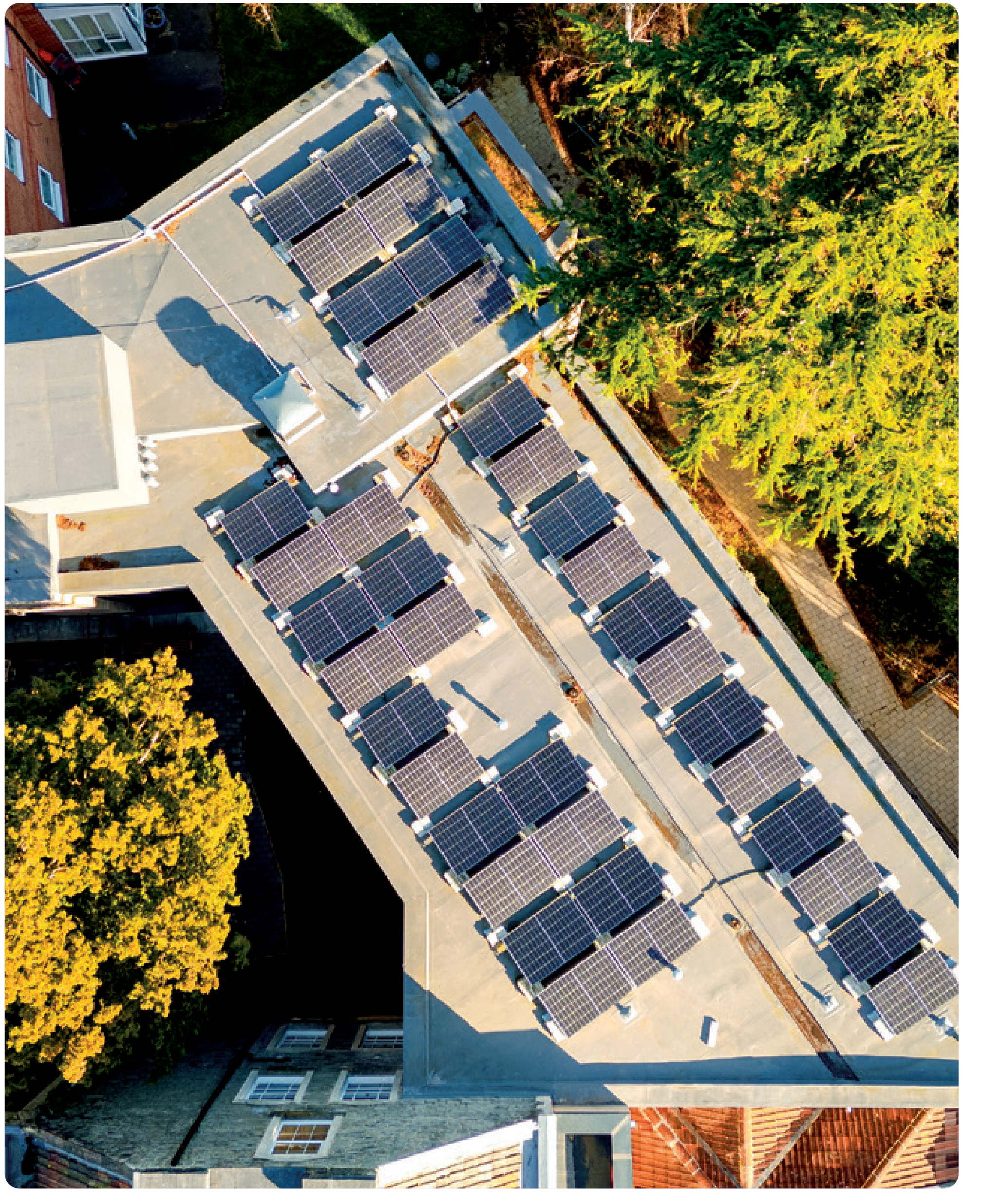
In this report we disclose the climate-related risks and opportunities and our overarching approach to the risk management in line with the recommendations of the TCFD. As is referenced throughout the report, we have continued to take action to improve the environmental performance of our portfolio and the IM works in partnership with tenants to help them reduce their energy consumption and CO_2e emissions. We have fully reported our Scope 3 emissions, which represents the bulk of our emissions (see page 110) and have already exceeded our 2025 target for EPC improvement across our portfolio.

Although our like-for-like CO_2 emissions have declined in 2024, we are aware that our target of a 15% decrease from our 2022 baseline by 2025 is unlikely to be met. The assumptions we made about the UK grid in the shorter term may have been too ambitious when our pathway was modelled, but the current plans from the Department for Energy Security and Net Zero, combined with the development and affordability of energy-efficient and renewable technologies, should support our decarbonisation efforts in the medium term.

Building on the work we undertook in 2023, where 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, the IM has undertaken more granular analysis on flood risk across our portfolio based on Environment Agency data.

Our IM's ESG committee, established in 2023, met on a quarterly basis and continues to provide us with a structure through which to embed our strategy, track our progress and ensure that the necessary discussions and decisions take place at the board level.

The IM has also started considering IFRS S1 and S2 and the UK government's Transition Pathway Taskforce framework to ensure that we are heading in the right direction in terms of future reporting.



Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

TCFD compliance statement

The table below highlights how we have reported in line with the 11 recommendations of TCFD and includes our own assessment of our level of compliance. We recognise that this is an iterative process and have highlighted those areas where we still need to make improvement or continue to progress.

Recommended disclosure	Current status	Comment	Page ref
Governance			
Describe the board's oversight of climate-related risks and opportunities	●	We have included these disclosures in the report	125-127
Describe management's role in assessing and managing climate-related risks and opportunities	●	We have included these disclosures in the report	125-127
Strategy			
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	●	We have included these disclosures in this report, please see previous annual reports for further detail	107-108
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	◐	We have assessed the impacts of climate-related risks and opportunities from a qualitative perspective but have yet to translate this fully into quantifiable financial impacts. This will continue to be reviewed during 2025	107-108
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	◐	We consider ourselves resilient to transition risks associated with 1.5-2 degrees warming scenarios. Flooding and heatwaves are our main two physical risks and we continue to gain insight to understand the specific risks and impacts at each of our locations	107-108

Recommended disclosure	Current status	Comment	Page ref
Risk management			
Describe the organisation's processes for identifying and assessing climate-related risks	●	We have included these disclosures in the report	125-127
Describe the organisation's processes for managing climate-related risks	●	We have included these disclosures in the report	125-127
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	●	We have included these disclosures in the report	125-127
Metrics and targets			
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes	●	We have included these disclosures in the report	109-110
Describe Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	●	We continue to improve the accuracy of our reported Scope 3 emissions, which represents a significant proportion of our total emissions. We now collect over 93% of Scope 3 emissions data from our tenants (2023: 85%) and continue to explore ways to improve the quality and quantity of this data capture and disclosure	109-110
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	◐	We have set ourselves targets on CO_2 emissions and EPC ratings across our portfolio. Performance is reviewed annually	109-110

Key: ● Reporting in line with the recommendations. ◐ We have made disclosures but are not yet fully reporting in line with the recommendations.

Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

Governance

In 2023 the Investment Manager's ESG committee, with associated terms of reference, was established. It meets on a quarterly basis and documents minutes and actions, is responsible for reviewing and advising on the recommendations made by the IM's ESG working group, also established in 2023, chaired by the IM's Development Director.

The ESG committee is chaired by the IM's Finance Director who, in partnership with the Development Director, oversees the operational and financial aspects of our sustainability programme and reports directly into the board and consults with the audit committee around assurance matters. ESG/sustainability is a regular item on the board agenda.

We have updated our ESG policy, reinforcing our commitment to working with our tenants to become energy efficient. Energy efficiency, renewables and physical climate risks, principally flooding, are regular agenda items in the IM's quarterly reviews with our tenants.

More information on our governance of climate change considerations can be found within our reporting on principal risks (page 37) and our "How we manage risk" section (page 125).

Key: Board level · Investment Manager

Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

Strategy

The IM has continued to make good progress in terms of ensuring that the necessary improvements are being made to our properties to ensure that they comply with future MEES regulation.

As our tenants are responsible for procuring energy for heating and power, we are not directly able to implement energy efficiency measures. However, the IM can continue to engage with all tenants to raise awareness, for example by holding an ESG webinar and including sustainability as a standing agenda item in regular review meetings.

The IM continues to model the energy usage and carbon emissions from our portfolio, and this enables them to identify underperforming assets and assess short and long-term options for reducing consumption and emissions. When undertaking asset management projects, improving the environmental sustainability of the asset is a key deliverable. During 2024, projects have included fabric upgrades, solar panels and air source heat pumps.

The IM has an energy efficiency engagement plan in place with our tenants which is leading to greater collaboration on initiatives such as the development of solar PV roll-out across properties where it is commercially viable.

We are conscious that flooding remains a risk for our business in the short, medium and longer term, be that as an acute or chronic physical risk. During the year we experienced two flood events during periods of exceptional rainfall. The most serious of these events was at a home which was at high risk of flooding and where we had previously invested in flood defences which did not operate effectively due to accidental intervention. The IM is investigating what additional physical and operational measures are required to improve the home's resilience.

Risk management

Climate change is integrated and clearly articulated across our principal risks, specifically within "Underinvestment in care homes" and "Reputational damage". You can read more about how we assess climate-related risks on pages 125-127.

The Investment Management team has a risk committee which assesses and reviews the Company's risk register on a quarterly basis and reports to the audit committee. Prioritised risks are discussed and considered by the audit committee and board twice a year.

As part of the due diligence process for potential new acquisitions, environmental performance has already been assessed on all acquisitions since 2020. This includes a review of the asset's, current and potential energy efficiency CRREM stranding risk, and, where required, a pathway towards achieving an EPC of B or above. We also review other climate-related risks such as exposure to flooding.

Looking ahead, this due diligence will continue to factor in possible identified risks and opportunities associated with climate change and a decarbonisation pathway.

To align with our business strategy, we have defined short term as one to three years, medium term as five to ten years (aligned to our business plan and various climate-related targets) and a long-term timeframe as up to 25 years (new lease length aligned to longer-term transition planning objectives).

Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

Risk management continued

Extreme weather/flood

Probability:	Medium	●●●○
Impact:	Moderate	●●○○
Change in the year:	Slight increase	↑
Risk tolerance:	Cautious	●●○○
Timescale:	Short/Medium/Long	●●●○

Disruption to provision of care or possible closure of care home

How we are assessing the risk

The IM has reviewed Environment Agency (EA) data for all care homes within the portfolio. 12 assets have been identified as potentially at risk of flooding. The IM has also reviewed data from our insurers, who have identified six assets where an excess applies in the event of a claim for flood damage. The IM has engaged with tenants to ensure that they have flood resilience protocols in place and will review if any further measures are required.

How we manage this risk

All our homes are fully insured against damage, including loss of rent. Our tenants separately have business interruption and contents insurance, for the losses to their own business. In addition, we benefit from the size of our operators' businesses and profits should this insurance be insufficient. Where flood risk has been identified, or occurred, the IM works with our tenants and insurers to enhance the flood defences and safety for residents.

During the year we had two flood events; in both cases our losses have been fully recoverable. In relation to the flood at Old Prebendal House, which was extensive, our operator's business interruption insurance is not expected to fully cover the cost; however, the broader operator business is capable of absorbing these losses.

Opportunity

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

Improved resilience of assets from physical risks.

Additional capital expenditure

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

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

How we are assessing the risk

The IM has 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 asset management budget towards energy-efficiency improvements. We are not on track to meet our 2025 targets so additional capex may be required to catch up on our energy and carbon reduction target.

The IM has also assessed all 57 assets with EPCs of C or below (English equivalent) to understand how these can be improved to a B or above. Of these clear pathways have been developed for all except 14, which we believe will require a transition away from their current energy source to a fully electric supply such as air source heat pumps.

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 could factor this into the cost of their services.

The IM is working with our tenants to ensure our buildings are well prepared for future legislation and our ESG targets. They 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 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.

Regulation

Probability:	High	●●●●
Impact:	Moderate	●●○○
Change in the year:	No change	↔
Risk tolerance:	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

The IM works closely with environmental consultants to help understand future potential for any changes in regulation and the IM appraises our portfolio against these possible regulations.

The IM uses the CRREM tool to risk assess our current and prospective assets to understand the pathway needed to reach net zero in accordance with the Paris climate treaty. We are working with our tenants to develop a transition plan to reduce energy consumption and mitigate climate change impacts.

Our approach is that no asset with an EPC below C can be acquired unless a demonstrable EPC improvement plan is developed, the cost of which is reflected in the investment case for the asset acquisition. Opportunities for the installation of energy efficiency and renewable technology in support of the net zero transition (such as rooftop solar PV and EV charging) are also considered as part of the investment case.

We now have full visibility of EPCs across our entire portfolio of properties and the IM has 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 following 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.

Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

Risk management continued

Cost of carbon

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

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

How we are assessing the risk

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

The IM continues to ensure they are capturing as much underlying data from our tenants on our Scope 3 emissions. This means that the effect of different carbon pricing levels and approaches can be modelled.

We will continue to monitor the situation in 2025 and ensure that we are compliant with future financial and sustainability disclosure requirements. We will 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 the IM can model similar legislation being applied in the UK and ensure this can be incorporated into our risk modelling in 2025.

Opportunity

None identified.

Market

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

Investors and markets have increasing their 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

As explained throughout our reporting against the TCFD framework, the IM is undertaking a significant amount of work to ensure we can deliver against our net zero objective and 2030 interim milestones and we 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 achieved EPRA Gold for our sustainability reporting and have made submissions to GRESB and achieving a D rating with the Carbon Disclosure Project.

The Investment Manager is a signatory to the UN Principles for Responsible Investment, demonstrating its commitment to long-term stewardship of the portfolio.

Opportunity

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

Reputation

Probability:	Medium	●●●○
Impact:	Moderate	●●○○
Change in the year:	No change	↔
Risk tolerance:	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 commitments our reputation would be damaged and stakeholders less willing to engage with us

How we are assessing the risk

We regularly engage with stakeholders to understand their expectations and aspirations regarding climate risk and environmental sustainability. Our tenant survey specifically references energy efficiency and how we, as a long-term landlord, can assist tenants in meeting their own objectives for reducing energy and carbon.

How we manage this risk

By engaging with our stakeholders, we can seek to align our environment objectives or use our influence to raise awareness of climate change risk. We seek to be transparent and open about our environmental targets and activities to demonstrate our commitment to improving environmental performance on a commercial sustainable basis for ourselves and our tenants.

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.

Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

Metrics and targets

As part of our EPRA reporting responsibilities, we have been disclosing our energy consumption data since 2019 in accordance with the EPRA Best Practice Sustainability Requirements. Our Scope 1 and 2 emissions are minimal, with all reported emissions relating to tenant-obtained energy consumption falling under Scope 3. In this report we have included our GHG emissions for the 12 months to 30 September 2024.

We have already exceeded our 2025 target of having at least 50% of our care homes rated EPC B or better. You can read more about our progress on page 30.

Our key climate-related metrics are:

- EPC ratings (page 29)
- Energy intensity per bed (kWh per bed) (page 110)
- GHG emissions intensity (CO_2e per bed) (page 110)
- Capex deployed on sustainability improvements (£pa) (page 28)
- Interim net zero targets (page 28)
- Proportion of leases with “Green” obligations (page 28)

Reporting against the Task Force on Climate-Related Financial Disclosures framework continued

Metrics and targets continued

We measure performance on a range of metrics for our Scope 3 emissions (tenant-procured energy) and the IM's Scope 1 and 2 emissions.

Performance measure	Unit	Scope	2024	2023 adjusted	Change
Electricity absolute consumption	kWh	3	**18,423**	21,000	(12)%
Electricity total and like-for-like consumption	kWh	3	**18,423**	18,776	(2)%
Gas absolute consumption	kWh	3	**53,154**	58,974	(10)%
Gas total and like-for-like consumption	kWh	3	**53,154**	55,365	(4)%
Other fuels absolute consumption[1]	kWh	3	**7,072**	5,235	35%
Other fuels like-for-like consumption[1]	kWh	3	**7,072**	5,105	39%
Building energy intensity absolute[1]	kWh/bed/year	3	**10,850**	11,036	(2)%
Building energy intensity like-for-like[1]	kWh/bed/year	3	**10,850**	10,932	(1)%
Building energy intensity like-for-like	kWh/m²/year	3	**284**	289	(2)%
Total indirect greenhouse gas (GHG) emissions from tenant-obtained fuel usage	tCO_2e	3	**14,143**	15,568	(9)%
Total indirect greenhouse gas (GHG) emissions from tenant-obtained fuel usage like-for-like[1]	tCO_2e	3	**14,143**	14,413	(2)%
Greenhouse gas (GHG) emissions intensity from building energy consumption	tCO_2e/bed/year	3	**1.95**	2.02	(3)%
Total indirect greenhouse gas (GHG) emissions from tenant-obtained fuel usage	kg CO_2e/m^2/year	3	**51**	53	(4)%
Greenhouse gas (GHG) emissions intensity from building energy consumption like-for-like[1]	tCO_2e/bed/year	3	**1.95**	1.99	(2)%
Total indirect greenhouse gas (GHG) emissions from tenant-obtained fuel usage like for like	kg CO_2e/m^2/year	3	**51**	53	(3)%

Performance measure	Unit	Scope	2024	2023	Change
Total electricity consumption	kWh	Total Investment Manager electricity	**7,100**	7,336	(3)%
Investment Manager energy intensity	kWh/FTE	Average kWh electricity consumption per FTE in year	**710**	733	(5)%
Total indirect greenhouse gas (GHG) emissions	tCO_2e	Indirect – Scope 2 (location-based)	**1.4**	1.5	(7)%
Business travel – Land – Car	tCO_2e	Scope 3 – Private vehicles (incl. WTT[2])	**4.5**	4.0	13%
Business travel – Land – Air	tCO_2e	Scope 3 – Flights (with raw fuel incl. WTT[3])	**4.1**	1.7	141%
Business travel – Land – Rail	tCO_2e	Scope 3 – Rail (incl. WTT[3])	**0.2**	0.2	–
Total emissions	**tCO_2e**		**9.9**	7.4	38%

1. Like-for-like figures adjusted to exclude seven homes in Q4 2022 to Q3 2023 for which data was not available in the corresponding period Q4 2023 to Q3 2024.
2. 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.
3. 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.
4. Time period adjusted from calendar year to October to September to allow for availability of data from tenants.