



Corporate Social Responsibility Report

2020

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Expertise.
Partnership.
Growth.

A Letter From the Chairman

DEAR FELLOW STAKEHOLDER,

Welcome to CareTrust REIT's 2020 Corporate Social Responsibility report. CareTrust is committed to providing transparent and reliable reporting on our Environmental, Social and Governance (ESG) priorities. Our intent in issuing this inaugural report is to initiate a pattern of annual reporting to document and communicate our ongoing progress on ESG matters.

As a "triple-net" real estate investment trust, we must be more creative than many other REITs in addressing ESG issues. This is because our triple-net leases cede control over our 223 healthcare properties and their daily management, maintenance and improvement exclusively to our tenants. Most property-level decisions with ESG implications can only be effectuated with the full cooperation of each of our 22 different tenants.

We resolved early to take a leadership role in tackling this problem. In 2020 we published our Tenant Code of Conduct & Corporate Responsibility (our "Tenant ESG Program"). This first-of-its-kind tenant support and incentive program provides our eligible triple-net tenants with monetary inducements to make sustainable improvements to our properties. Incentive options include a wide variety of

opportunities for tenants to upgrade everything from energy and environmental systems to landscaping and more, all with our financial support. Unfortunately, the formal portfolio-wide roll-out of the Tenant ESG Program which was to occur in April 2020 at our annual Operator Conference was delayed when the conference was canceled due to the then-emergent COVID-19 pandemic. We have since promoted it one-on-one with our tenants as significant projects have been undertaken in a few of our properties.

In addition, during 2020 we and our ESG consultants designed a monitoring plan to collect key environmental data from a pilot group of 50 facilities, or about one-quarter of our portfolio. With this data we can begin to benchmark energy and water usage, and the impact of our facilities on greenhouse gas (GHG) emissions and climate change. We will be able to begin identifying the most promising opportunities for improvement in our portfolio, set informed ESG goals and measure progress over time. This plan has already been set in motion in 2021, and usable data is now rolling in every month.

Our ESG efforts have not been limited to sustainability issues. In 2020 we also published

a number of key policies addressing social and governance issues. We believe our Policy on Human Rights and Responsibilities, our Policy on Human Capital and our Vendor Code of Conduct & Business Ethics all broke new ground for small-cap triple-net REITs. And we put real "teeth" into these policy statements by establishing a Sustainability & Corporate Responsibility Committee on our Board of Directors, as well as an internal Environmental, Social & Governance Steering Committee made up of employees from every discipline in our company. Both committees provide oversight, alignment and execution with respect to our ESG initiatives, and have been very active in 2020. Their charters, as well as the aforementioned policy statements, can all be accessed on the Investor Relations tab of our website at www.caretrustreit.com/corporate-responsibility.

To be sure, the COVID-19 global pandemic and resulting government responses have hindered our full implementation of some of the ESG initiatives planned for 2020, although none were stopped. On the other hand, the pandemic gave us the opportunity to consider new ways to think about our role in the delivery of critical healthcare services and assistance with the activities of daily living for the most vulnerable of our fellow citizens and their caregivers. For example, in the early days of the pandemic infection and mortality rates were climbing, personal protective equipment

(PPE) was scarce and expensive, and effective COVID-19 testing was not yet available. Our portfolio management team turned their whole efforts to procuring lifesaving PPE and early-stage antigen testing for our tenants and their employees, who were on the front lines of the battle against COVID-19. Using CareTrust's scale and credit, they rapidly obtained over \$1.3 million in PPE for grateful regional skilled nursing and assisted living operators – both our own tenants and others – who lacked the purchasing power and volume ordering capabilities necessary to get the attention of traditional suppliers. How important was this? Stated simply, we believe their decisive and creative actions saved lives.

We also focused on the health and safety of our own team. Operational protocols were quickly implemented to allow remote and flexible work in order to protect the health and safety of our colleagues. This provided much-needed relief to working parents whose children were unexpectedly home from school all day and needed daily parental support with their own remote learning and care. This flexibility continues today, and we are proud to report that the team and our systems are working more smoothly and efficiently than ever.

This fact, more than any other, highlights the validity of our core philosophy: We may focus on real estate, investments and the other "nuts and bolts" of our business, but in the end – both



“In the end - It
all comes down
to **people.**”



for us and for the outstanding healthcare providers who occupy and operate our properties – it all comes down to people. So we will continue to pursue our business plan with an eye firmly fixed on assembling and supporting the very best teams of people to be found anywhere in the industry, and we believe that as we get that part of the success equation right, all of the other pieces – including making good on our commitments to our ESG principles – will fall into place.

As evidence of that philosophy's value, despite all of 2020's challenges CareTrust quietly posted one of the best annual total shareholder return results in our peer group. We actually increased our dividend, which remained well-covered, we maintained earnings guidance throughout the year, and we actually exceeded that guidance. To top it off, our outstanding team managed to grow the portfolio significantly in a year that presented unprecedented obstacles to even the simplest of real estate transactions.

We remain keenly attuned to the correlation between honoring ESG principles and creating shareholder value. We also take seriously our role in the healthcare continuum and recognize the great opportunity before us as key players in that continuum, to impact the lives of patients, residents and healthcare workers for good. We are grateful for the support of so many who have believed in CareTrust and our unique approach to healthcare real estate, and we look forward to continuing our association with you in the very bright future that lies ahead.

Greg Stapley

Chairman & Chief Executive Officer

Our Vision

CareTrust REIT, Inc. (“CareTrust”) is a self-administered, publicly-traded real estate investment trust engaged in the ownership, acquisition and leasing of seniors housing and healthcare-related properties. CareTrust pursues opportunities to acquire and develop properties that can be leased to a diverse group of local, regional and national seniors housing operators, healthcare services providers, and other healthcare-related businesses.

At CareTrust, our mission is two-fold: To help top-notch healthcare providers realize their growth potential, while delivering steady value to our shareholders through accretive investments, a well-protected dividend, and a best-in-class tenant roster.

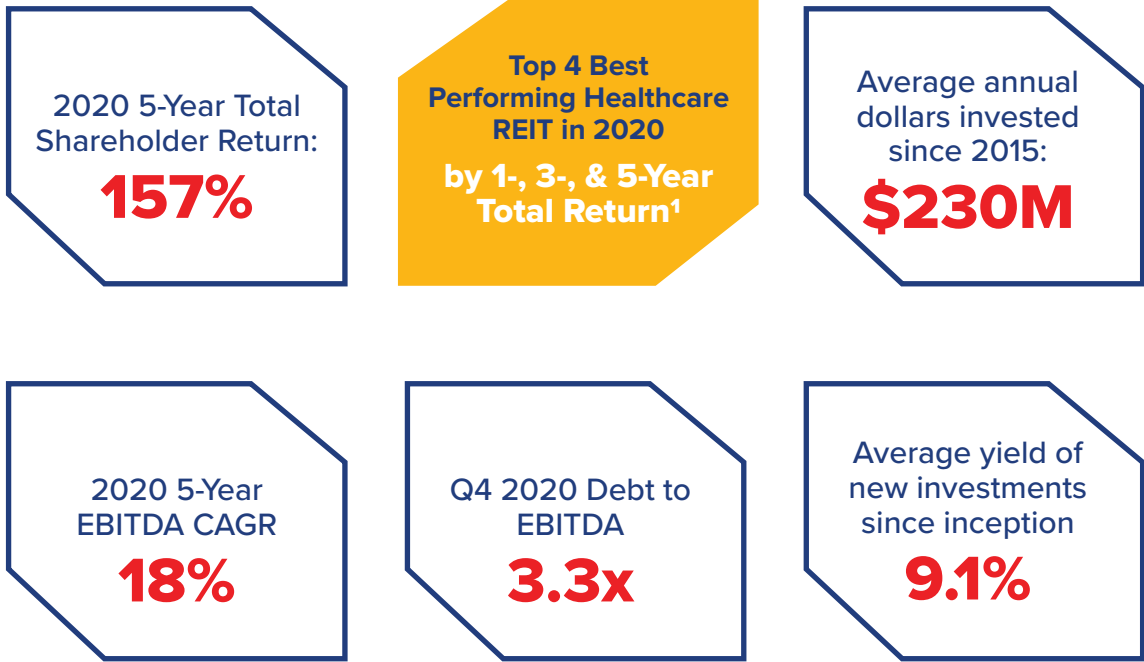
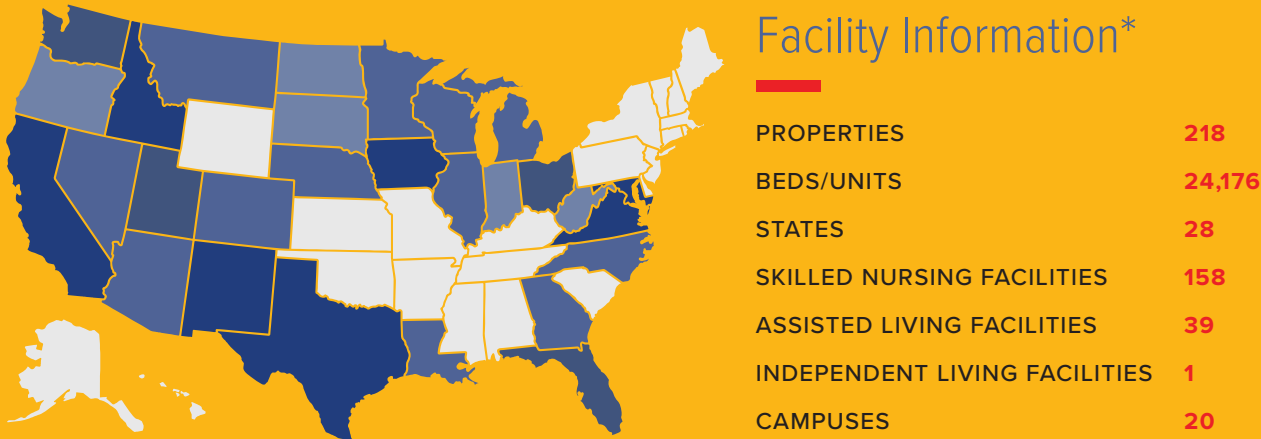
Our commitment to environmental, social and governance (ESG) excellence is evident through our promotion of sustainability and corporate responsibility within the company's business, as well as our sustainability incentives to our tenants, fully aligned with our commitment to create and protect shareholder value while serving the needs of all CareTrust stakeholders. As we embark on a journey to further develop our ESG programs, we intend to direct our efforts toward transparency and data-backed performance.

About CareTrust

Founded in 2013 and launched as a fully independent, publicly-traded real estate investment trust in 2014, CareTrust owns a diversified portfolio of 223 net-leased healthcare properties covering over 9,000,000 total square feet of building area. Headquartered in San Clemente, California, the portfolio spans 28 states in the U.S.: Arizona, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Louisiana, Maryland, Michigan, Minnesota, Montana, Nebraska, Nevada, New

Mexico, North Carolina, North Dakota, Ohio, Oregon, South Dakota, Texas, Utah, Virginia, Washington, West Virginia, and Wisconsin. CareTrust acquires and leases senior housing and healthcare properties to seniors housing and post-acute care operators of all sizes. As a triple-net landlord, our third-party operators have full possession, control and operational responsibility with respect to our real estate and its maintenance on a day-to-day basis.

We are proving that investing in healthcare real estate, particularly for the growing senior sector, can continue to produce healthy returns. Our strategy includes investing in smaller healthcare operators and focusing on consolidation of ownership in a fragmented market. Our long-term vision of senior care and housing points to an increasingly bright future driven by demographic changes currently underway in the U.S. and worldwide. To prepare for and take advantage of this accelerating trend, CareTrust maintains a conservative balance sheet and significant liquidity. As of December 31, 2020, CareTrust earned core revenue of \$174.3 million, had approximately \$568.9 million in liquidity and closed Q420 with leverage of approximately 3.3x net debt to annualized consolidated adjusted EBITDA.



1. Source: KeyBanc Capital Markets REIT Leaderboard 12/31/20

About This Report

This Corporate Social Responsibility Report covers high priority ESG initiatives and goals developed in the calendar year 2020 for CareTrust REIT, Inc. and its property portfolio. This report was produced by the CareTrust Environmental, Social, and Governance Steering Committee (the “ESG Committee”) in conjunction with Goby, a third-party data and ESG consultant. CareTrust has worked with Goby to conduct an ESG Materiality Assessment to baseline the current ESG program and to set a long-term ESG roadmap that aligns with our core values and goals. The ESG topics and opportunities covered in this report include environmental sustainability, corporate policy, human rights, human capital, health and wellbeing, stakeholder engagement, and management. This is CareTrust’s first annual CSR report, and going forward the Company intends to produce similar reports annually to update stakeholders and others on CareTrust’s corporate responsibility initiatives.

In an effort to further align with applicable global standards for sustainability reporting and current market trends, this Corporate Social Responsibility Report has been prepared in reference to the GRI Standards: Core Option.

Environmental

OVERVIEW

CareTrust is committed to implementing environmentally-sustainable best practices for our own operations, and to encouraging, incentivizing, and assisting our triple-net healthcare and seniors housing tenants in their efforts to address environmental opportunities and challenges in the properties they lease from us.

PROVIDING A COMMUNITY ASSET

We are a healthcare-focused real estate investment trust, and our assets are an integral part of the overall healthcare continuum in the communities we serve. By their very nature as inpatient healthcare and affordable seniors housing facilities, our assets and the services provided therein contribute daily to the overall health and welfare of the communities they serve. These facilities and the elder care staffs who operate them house, protect and care for society’s most vulnerable and deserving members. As the coming demographic wave of older Americans requires an increasingly complex level of compassionate and

sophisticated mental, emotional, and physical healthcare services, CareTrust remains committed to pairing these essential community assets with best-in-class care providers to serve our aging seniors. This is perhaps the very best contribution we can make to the betterment of the world around us.

We believe that environmental sustainability is an important part of our commitment to helping people live and age well in those communities. We accordingly strive to more efficiently use resources and avoid or reduce practices in our corporate offices and our net-leased properties that carry environmental risks or negative impacts. Environmental factors have become a routine part of our underwriting and asset management functions, as well as our daily vocabulary.

Through sustainable practices and tenant education, support and incentives, CareTrust is taking action to reduce our impact and the impact of our properties and those who use them on the environment.

PERFORMANCE INDICATORS

We believe the best way to set goals and make informed decisions about energy and water use in our properties starts with rigorous and continuous data collection and monitoring. We intend to use robust data analysis in concert with participating tenants to set and track goals that could help us and them achieve a higher level of environmental responsibility and thereby provide value to our operators and investors.

As a “triple-net” REIT we have not historically collected this data from our tenants, who are solely responsible for the maintenance, improvement and operating expenses of the properties they lease from us. However, we believe that collecting, analyzing and sharing relevant environmental data over time will allow us to support our tenants more effectively in their decision-making relative to these responsibilities and the conduct of their day-to-day operations. Armed with this information, we believe that our triple-net tenants could use it to improve their operational results.

“WE BELIEVE THAT COLLECTING, ANALYZING AND SHARING RELEVANT ENVIRONMENTAL DATA OVER TIME WILL ALLOW US TO SUPPORT OUR TENANTS MORE EFFECTIVELY IN THEIR DECISION-MAKING RELATIVE TO THESE RESPONSIBILITIES AND THE CONDUCT OF THEIR DAY-TO-DAY OPERATIONS, [AND] USE IT TO IMPROVE THEIR OPERATIONAL RESULTS.”

We have accordingly hired Goby, a third-party data and ESG consultant to assist us in pursuing a more comprehensive approach to our

collection, processing and analyses of relevant environmental data. In Q4 2020 we initiated an onboarding effort for historical data, which we expect will provide meaningful benchmarking for identifying and analyzing improvement opportunities across our portfolio. Moving into 2021 we have undertaken a plan with Goby to fully implement a regular system of collecting, processing, and analyzing our properties’ energy and water usage data on a quarterly basis in a select subset of our properties. These “pilot” properties, representing about one-quarter of our portfolio, were selected based upon a variety of factors including property age and condition, tenant receptiveness and cooperation, and assumptions about the potential for their improvement. As we refine our processes, we plan to eventually collect and analyze such data on a larger scale with a goal of 50% portfolio data coverage by the end 2022.

As it is collected, we expect this data to paint an increasingly clearer picture of high-level trends and help us and our tenants identify areas of potential improvement. As they are made, we expect these improvements to reduce costs for our tenants and improve their bottom lines, an important consideration in assessing the lease coverage that each property and tenant is producing and the resulting security of our leases. The data will also allow us to make important calculations regarding the carbon footprints of our properties and their tenants.

“WE EXPECT THESE IMPROVEMENTS TO HELP REDUCE COSTS FOR OUR TENANTS AND IMPROVE THEIR BOTTOM LINES, AN IMPORTANT CONSIDERATION IN ASSESSING THE LEASE COVERAGE THAT EACH PROPERTY AND TENANT IS PRODUCING AND THE RESULTING SECURITY OF OUR LEASES.”



INTERNAL INITIATIVES

At our Corporate Office, we are vigilant in our pursuit of environmentally sound practices. We work to increase staff awareness of environmental risks and opportunities and reduce our environmental footprint where possible. We have engaged in several initiatives aimed at fostering sustainable practices such as:

- ▶ We have elected to locate our headquarters in a small community near where most of our staff live, rather than in one of area’s traditional business and employment centers that are farther away. Our average daily commute is 20%, 66% and 74% shorter than it would be if we had located in the large employment centers at the Irvine Spectrum, Newport Beach and the Orange County Airport, respectively, resulting in an estimated reduction in annual CO₂ emissions of 4.6, 14.7 and 16.6 metric tons respectively, or the equivalent of taking 1.0, 3.1 or 3.5 cars off the road annually.¹
- ▶ We have outfitted our offices with remanufactured workstations, which reduces consumption of natural resources, avoids the energy usage associated with de novo manufacturing processes, and decreases waste going to landfills; it also reduces our overhead, as remanufactured workstations are significantly less expensive than new ones.
- ▶ We provide a secure storage location for bicycles in our offices to encourage bicycle commuting.
- ▶ We have installed shower and locker facilities in our offices to encourage cycling, running and walking to work and during the workday.
- ▶ We provide beverages, snacks and some meals, to reduce the number of vehicle trips that our employees would otherwise take during the workday.
- ▶ We have implemented an in-office recycling program for aluminum, plastic and paper, the proceeds from which go into an employee entertainment fund.
- ▶ We actively maintain and keep electronics, such as computers, printers and copiers in service for at least one year longer than their normal service lives to reduce costs and electronic waste going to landfills.
- ▶ We have replaced water purchased in plastic bottles with a state-of-the-art filtration system and bottle filler, and supplied our staff with reusable containers, to reduce plastic waste currently generated in our offices by an estimated 3,600 bottles per year.

1. Estimated using the EPA’s 2014 “Greenhouse Gas Emissions from a Typical Passenger Vehicle” fact sheet, EPA-420-F-14-040

THIRD-PARTY OPERATED PROPERTIES

As a triple-net landlord, we are generally unable to mandate specific environmental and sustainability changes in our properties. To address this hurdle, we have (i) contractually required each tenant to meet or exceed certain thresholds of annual expenditures on maintenance and capital improvement projects, and (ii) established a unique program called our Tenant Code of Conduct & Corporate Responsibility (our “Tenant ESG Program”).

We believe our Tenant ESG Program is the first of its kind for a fully-triple-net, non-SHOP, non-RIDEA REIT. We have crafted it as a new kind of responsible partnership between landlords and tenants. We believe this partnership approach can meaningfully enhance our relationships with the healthcare providers that lease and operate our properties, and actually distinguish us as a more attractive capital partner than other sources to which they might look for real estate financing.

“WE BELIEVE THE CARETRUST TENANT ESG PROGRAM IS THE FIRST OF ITS KIND FOR A FULLY-TRIPLE-NET, NON-SHOP, NON-RIDEA REIT THAT INCENTIVIZES TRIPLE-NET TENANTS TO INCLUDE ENVIRONMENTAL CONSIDERATIONS IN CRAFTING THEIR CAPITAL PLANS AND PROJECTS.”

Our Tenant ESG Program addresses these goals by identifying key areas of risk and improvement in our properties and creating mutually beneficial economic arrangements between us and our triple-net tenants who choose to embrace its ideals and objectives. It helps us and our participating tenants align our respective priorities within our physical plants by providing economic incentives for our tenants to make cooperatively the kinds of positive environmental changes in our properties that other landlords who have full or partial control over their properties can make unilaterally. Our board of directors has backed our commitment to sustainability by authorizing an initial allocation of \$500,000 to fund the Tenant ESG Program, and we anticipate that additional funding will be allocated as the program continues to ramp up.

While we publish the main body of our Tenant ESG Program on our website, we believe that the program’s proprietary financial incentives create a competitive advantage for us vs. other sources of real estate capital. We therefore treat them as trade secrets and do not publish them. We believe that these incentives will help our tenants and us to reduce the environmental impact of our large and growing portfolio over time. We also believe that these improvements will not only extend the useful life of our buildings but preserve and increase their current value as well.

The full list of sustainability incentives is provided to CareTrust tenants who wish to participate in our Tenant ESG Program and are willing to meet the eligibility standards. Those standards include critical social considerations, such as requirements to have a functioning corporate compliance program, a published code of conduct and ethics, a commitment to diversity and inclusion, and other basic policies and practices. We believe that such policies, when rigorously implemented, strengthen and lend stability to our tenants’ day-to-day operations and improve working conditions for their staffs and living conditions for their patients and residents.



CASE STUDY:

COPPER RIDGE HEALTH & REHABILITATION, BUTTE, MONTANA

A recent example of CareTrust’s commitment to sustainability is our Copper Ridge Health & Rehabilitation Center in Butte, Montana. Copper Ridge is a 186-bed skilled nursing facility, and is the only post-acute care facility in the area to carry CMS’s coveted Five Star rating for Quality of Resident Care. The facility is leased to and operated by well-regarded regional skilled nursing provider Eduro Healthcare.

In 2020, Eduro was considering options for replacing the aging boilers that provide heat for the large building’s critical hot water and environmental heating systems. Available choices ranged from a standard low-cost, less-efficient system to a more expensive, high-efficiency Energy Star-rated system. Skilled nursing is a difficult business with tight margins and high cash demands, and with a cost premium of over \$40,000 for the higher-efficiency equipment, Eduro faced a difficult choice. Should they pay the premium to get more efficient equipment,

reduce future energy usage and costs and install a system that promised a longer lifespan, or should they take the immediate-term financially conservative route and just replace what they had for lowest initial cash outlay possible?

CareTrust’s internal Environmental, Social & Governance Steering Committee worked with Eduro to identify a high-efficiency solution that met the criteria of CareTrust’s unique Tenant ESG Program. CareTrust then offered Eduro a cash incentive that covered 50% of the premium cost. The CareTrust incentive dollars reduced the initial financial impact of the larger capital expenditure on Copper Ridge, and Eduro elected to move forward with the high-efficiency system. The new system is now being monitored to verify that it is actually reducing Copper Ridge’s ongoing energy costs and carbon footprint, improving the operation’s monthly profitability, and increasing (albeit slightly) coverage under Eduro’s master lease.

Social

OVERVIEW

As a capital supplier to the healthcare industry, we are using our influence to bring awareness to humanitarian-focused issues, improve working conditions and promote the ethical treatment of all people wherever our activities and influence can be felt. Our commitment to human rights and the ethical treatment of others is embedded in everything we do and is an integral part of our overall commitment to corporate responsibility.

ESSENTIAL PROPERTIES, ESSENTIAL SERVICES

By their very nature as inpatient healthcare and affordable seniors housing facilities, our assets and the services provided therein contribute daily to the overall health and welfare of the communities they serve. These facilities and the elder care staffs who operate them house, protect and care for society's most vulnerable and deserving members.

"THE THOUSANDS OF RECIPIENTS OF OUR TENANTS' DAILY CARE EFFORTS INCLUDE THE FRAIL ELDERLY, DEMENTIA AND MEMORY CARE PATIENTS, PEOPLE WITH DISABILITIES AND MANY RESIDENTS WHO MIGHT OTHERWISE BE HOMELESS."

In all cases, we strive to empower and support operators and care staffs who will care for these individuals with compassion, professionalism and dignity.

As the coming demographic wave of older Americans requires an increasingly sophisticated level of mental, emotional, and physical healthcare services, CareTrust remains committed to pairing these essential community assets with best-in-class care providers to serve our aging seniors. This is perhaps the very best contribution we can make to the betterment of the world around us.

We have learned that the best way to promote quality care for patients and residents is to first care for and respect the people who provide that care, as well as the people who support them. We understand that our employees, vendors, operators and other stakeholders have a life to live; a life to share with family, friends, and communities. While work is important, we believe it should just be one aspect of a well-lived life, and we support the desire for fulfillment both on the job and during non-working hours. This is the backbone of why we have our policies, programming, and education in place that specifically focus on the well-being of our stakeholders and help them stay healthy, engaged, and informed.

HEALTH & WELL-BEING

Our employees are the heart of our company. Without their passion, professionalism and hard work, CareTrust would not be what it is today. Nor could we achieve our full potential as a key capital provider in the healthcare delivery system of the future.

CareTrust's Policy on Human Capital reflects our commitment to the dignity and rights of all people, especially our employees and others whose professional lives may be impacted by our properties and business activities. It represents a critical commitment to, and investment in, the current and long-term health and well-being of our organization and its people.

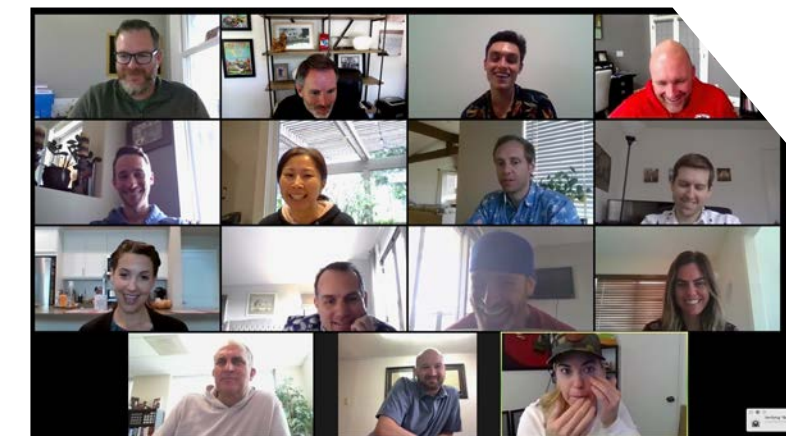
Benefits: CareTrust provides a competitive benefits program including medical, dental and vision coverage with substantial employer funding and a wide menu of medical options, a 401(k) plan with an employer match, Flexible Spending Accounts (FSAs), employer-funded life insurance, an employer-funded employee assistance program (EAP), a generous vacation, holiday and personal time off policy, and an array of voluntary benefits options and other benefits for employees and their families.

Health and Safety: We are committed to full compliance with all applicable safety and health laws, including in the areas of occupational safety, emergency preparedness, occupational injury and illness, industrial hygiene, physically demanding work, machine safeguarding, sanitation, food and housing. We seek to minimize employee and visitor exposure to potential safety hazards by appropriately identifying, assessing and minimizing health and safety risks in all workplaces that we control.

Training and Education: CareTrust's culture values continuous learning, improvement and professional development. This helps our employees to keep their skills current and to adapt to new responsibilities and emerging market needs. CareTrust provides financial support for professional association dues and memberships, continuing education credits, and fees and travel expenses to attend relevant conferences and seminars. We encourage employees to work with their managers to identify learning opportunities that will contribute to their career goals and to

CareTrust's success.

Team Lunches: During the COVID-19 pandemic, the CareTrust team started a monthly Friday virtual lunch meeting in 2020 to allow for more "face-to-face" social engagement, as the majority of team members were working remotely. Each employee was encouraged to purchase lunch from a local restaurant within their community, and the cost was reimbursed to the employee by CareTrust. This allowed us to continue supporting local businesses and economies while spending time building team chemistry.



STAKEHOLDER ENGAGEMENT

At CareTrust, we believe that regularly engaging with our stakeholders is critical to fostering the strong relationships we have with the investors, employees, operators, vendors, and other people who are involved with our business. Our formula for successful partnership blends state-of-the-art properties, the right operators, and creative financing solutions to strike a win-win balance for operators and investors. We believe that engaging our stakeholders through education, transparency, and soliciting feedback is critical to continuing the strong relationships we have with the people who we impact and who are critical to our success.

EMPLOYEES

We believe all employees have a vested interest in the operation of their workplace, and thus deserve a voice in developing its



culture, processes and atmosphere. CareTrust conducts ad hoc surveys of its employees allowing us to measure employee engagement and satisfaction and, when necessary, change procedures and implement initiatives to address recurring areas for improvement. In addition, CareTrust conducts all-employee meetings weekly, promoting inclusion and allowing employees to ask questions and provide feedback to management and each other.

Employees also comprise the membership of our Environmental, Social & Governance Steering Committee, an internal, multi-disciplinary body formed to support CareTrust’s on-going commitment to environmental, health and safety, corporate social responsibility, corporate governance, sustainability, and other public policy matters relevant to their workplace, our properties and the world around us. The Committee plays a critical role in most aspects of our day-to-operations, leading or participating in a range of issues, from setting incentives under our Tenant ESG Program to selecting benefits programs for our employees, and more.

We also periodically sponsor offsite activities, including parties, volunteer service opportunities and incentive trips for qualifying employees (including front-line staff) to foster camaraderie and employee satisfaction, and to directly acknowledge the valuable contributions our employees make daily to our success.

In 2020, we initiated our Team CareTrust health



and fitness program. Employees are reimbursed up to \$350 per year to be used toward general physical and mental wellness. Each employee was given a Team CareTrust workout shirt and encouraged to share photos of themselves wearing their shirts while engaged in activities that improve overall wellness. Additional employee benefits under the Team CareTrust plan include an audiobook subscription, full funding for professional development and continuing education opportunities, matching contributions to employees’ favorite charities, a monthly book-club, flexible and remote work opportunities, and company-paid incentive trips for which all employees are eligible.

TENANTS

As a triple-net landlord, it is especially crucial to our business to maintain a strong relationship with our third-party operators and continue to educate them on our ESG initiatives and commitments. We hold an annual operator conference to bring together our operators

THE ANNUAL CARETRUST
OPERATOR CONFERENCE ALLOWS
OUR TENANTS TO PARTICIPATE IN
CUTTING-EDGE INSTRUCTIONAL
SESSIONS WITH TOP HEALTHCARE
INDUSTRY EXPERTS, KEEP UP
WITH EVOLVING REGULATIONS,
AND SHARE BEST PRACTICES WITH
EACH OTHER. SINCE 2019, ESG
EDUCATION IS INCREASINGLY
SHAPING THE AGENDA.

from across the country, which is well-attended.

Due to the COVID-19 pandemic, our April 2020 Operator Conference was cancelled and rescheduled to October 2020; in October it was of necessity postponed once again. It has been scheduled again for October 2021, and we have once again prioritized bringing ESG to the forefront of our discussions with our operators.

At the top of the 2021 agenda will be our innovative Tenant ESG Program, which provides both resources and monetary incentives for our Tenants to make sustainable improvements to our properties and commit to responsible corporate behavior. When tenants submit plans for larger capital expenditure projects, CareTrust’s internal Environmental, Social & Governance Steering Committee offers suggestions on how they can utilize CareTrust incentive funds and resources to pursue environmentally efficient options, which usually require a greater up-front financial commitment.

The Operator Conference and the Tenant ESG Program encourage an ongoing dialogue between CareTrust and its tenants on a variety of topics, from workplace culture to community engagement to efficiency projects, and contributes to CareTrust’s ongoing ESG goals and initiatives.

COMMUNITY

CareTrust periodically contributes to charitable non-profit organizations, particularly organizations that touch the healthcare industry and its stakeholders. We also support our employees in their individual and collective philanthropic efforts. This includes providing service opportunities, time off with pay for volunteer and other charitable endeavors, and a matching program for most employee charitable contributions.

INVESTORS

At CareTrust, we are acutely aware that ESG issues are top of mind for many investors. Our executive team routinely participates in conferences, seminars and panels, and fields

questions about ESG matters affecting our company and the industries of our tenants. To further clarify our corporate philosophies and policies related to ESG matters, in 2020 we updated and published to our website the following core documents:

- ▶ The Charter of our Board’s Sustainability & Corporate Responsibility Committee
- ▶ The Charter of our internal Environmental, Social & Governance Steering Committee
- ▶ Policy on Human Rights & Responsibilities
- ▶ Policy on Human Capital
- ▶ Policy on Environmental Sustainability
- ▶ Tenant Code of Conduct & Corporate Responsibility
- ▶ Vendor Code of Conduct & Business Ethics
- ▶ Code of Conduct and Business Ethics

These core documents can be found and reviewed at <https://investor.caretrustreit.com/corporate-responsibility>



Governance

OVERVIEW

CareTrust emphasizes the importance of professional business conduct and ethics through our corporate governance initiatives. Our corporate governance structure was carefully crafted to align with the interests of our investors and other stakeholders with a core leadership team that has over 65 years of collective experience as operators and investors. As operators first, the CareTrust executive team knows first-hand what it takes to provide superior healthcare services and facilities for the senior community.

“AS OPERATORS FIRST, THE CARETRUST EXECUTIVE TEAM HAS 65+ YEARS OF COLLECTIVE EXPERIENCE AND KNOWS FIRST-HAND WHAT IT TAKES TO PROVIDE SUPERIOR HEALTHCARE SERVICES AND FACILITIES FOR THE SENIOR COMMUNITY.”

BOARD OF DIRECTORS

The members of CareTrust’s Board of Directors each bring deep expertise in healthcare, real estate, investing, accounting, and/or business development. The Board of Directors is selected by the stockholders to provide oversight of, and strategic guidance to, the company in a manner consistent with the best interests of the company. In this oversight role, the Board serves as the ultimate decision-making body of the company, except for those matters reserved to or shared with the stockholders. The Board selects and oversees members of senior management, who are charged by the Board with conducting the business of the company. The Board has historically had three standing committees: (a) an Audit Committee, (b) a Compensation Committee, and (c) a Nominating and Corporate Governance Committee, each with its own charter that sets forth the purposes, goals and responsibilities of each committee as well as the qualifications for committee membership.

In addition, in 2020 our Board established a Sustainability & Corporate Responsibility Committee to oversee and drive ESG priorities relating to the company and its business from the Board level. The Sustainability & Corporate Responsibility Committee met twice in 2020 and, among other things, encouraged the Board’s Compensation Committee to begin adding ESG metrics to the annual incentive

compensation plans of senior management, which it did in 2020. The Charter of our Sustainability & Corporate Responsibility Committee, which outlines in further detail the Committee’s purpose and responsibilities, can be found at <https://investor.caretrustreit.com/corporate-responsibility>.

“OUR BOARD’S SUSTAINABILITY & CORPORATE RESPONSIBILITY COMMITTEE MET TWICE IN 2020 AND, AMONG OTHER THINGS, ENCOURAGED THE BOARD’S COMPENSATION COMMITTEE TO BEGIN ADDING ESG METRICS TO THE ANNUAL INCENTIVE COMPENSATION PLANS OF SENIOR MANAGEMENT, WHICH IT DID IN 2020.”

MANAGEMENT

At CareTrust, we are always striving to improve our business. We believe that one of the best ways to accomplish this is with open communication interdepartmentally and with our operator tenants. As such, we have placed the responsibility of reviewing and regularly updating our ESG policies and practices in the hands of our Environmental, Social & Governance Steering Committee, or ESG Committee for short. The ESG Committee is an internal, multi-disciplinary body formed to support CareTrust’s on-going commitment to environmental, health and safety, corporate social responsibility, corporate governance,

sustainability and other public policy matters relevant to the Company.

The ESG Committee does this generally by assisting the company’s senior management in (a) setting the company’s general strategy relating to ESG matters, (b) developing, proposing, implementing, and monitoring initiatives and policies at the company based on that strategy, including our innovative and proprietary Tenant ESG Program, (c) overseeing communications with company personnel and tenants with respect to ESG matters, and (d) monitoring and anticipating developments relating to, and improving the company’s understanding of, ESG matters. The ESG Committee includes representatives from various departments including Underwriting, Asset Management, Accounting and Construction.

"OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE STEERING COMMITTEE... IS AN INTERNAL, MULTI-DISCIPLINARY BODY FORMED TO SUPPORT CARETRUST’S ON-GOING COMMITMENT TO ENVIRONMENTAL, HEALTH AND SAFETY, CORPORATE SOCIAL RESPONSIBILITY, CORPORATE GOVERNANCE, SUSTAINABILITY AND OTHER PUBLIC POLICY MATTERS RELEVANT TO THE COMPANY."

ETHICS

CareTrust's board, management and employees are committed to honoring the policies and principles set forth in our published Code of Business Conduct and Ethics in our day-to-day business activities. We are using our influence as a capital supplier to the healthcare industry to prioritize human issues and promote the ethical treatment of our tenants' employees, patients, residents and all people that our business impacts.

"WE BELIEVE THAT THE CREATION OF AN ENGAGING AND MUTUALLY SUPPORTIVE CORPORATE CULTURE THAT ACKNOWLEDGES AND CELEBRATES THE VALUE AND CONTRIBUTIONS OF ALL STAKEHOLDERS IS CORE TO OUR LONG-TERM SUCCESS."

CareTrust's Code of Business Conduct and Ethics applies to all employees, officers and directors of the company, as well as its partners, suppliers and vendors. A statement of compliance with this Code must be signed by all employees, officers and directors, and all employees and directors have a duty to promptly report any known or suspected violation of this Code to the Chief Executive Officer, General Counsel or the company's ethics hotline. The Board of Directors of CareTrust REIT, Inc. has adopted the Code of Business Conduct and Ethics to deter wrongdoing and promote:

- ▶ Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- ▶ Full, fair, accurate, timely, and understandable disclosure in reports and documents that the company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the company;
- ▶ Compliance with applicable governmental laws, rules and regulations;
- ▶ Prompt internal reporting of violations of the Code to an appropriate person or persons;
- ▶ Accountability for adherence to the Code.

CareTrust also encourages and incentivizes its triple-net tenants and their respective employees (collectively "Tenants") to reflect a similar commitment to integrity and corporate responsibility by voluntarily participating in CareTrust's Tenant Code of Conduct and Corporate Responsibility Program (the "Tenant ESG Program"), and particularly by valuing the healthcare workers who deliver care in their facilities every day.

We routinely monitor our Tenants using technologically advanced tools that track and evaluate key quality metrics over time. For example, our PointRight system allows us to see both allegations of patient abuse and substantiated allegations of patient abuse for each skilled nursing Tenant. The PointRight data also tracks patient referral patterns in our Tenants' markets, providing us with a window into customer satisfaction with our Tenants' operations.

We have also promulgated a Vendor Code of Conduct and Business Ethics which lays out our expectations for all of our partners, suppliers and vendors, as well as their employees, agents and subcontractors, to commit to abide by standards for integrity and corporate responsibility, especially but not only in connection with their dealings with CareTrust.

"AT CARETRUST, WE UTILIZE POINTRIGHT TO ROUTINELY MONITOR OUR TENANTS FOR ANY ALLEGATIONS OF PATIENT ABUSE."

These expectations include commitments to human rights and fair labor standards, health and safety, confidentiality and data protection, environmental responsibility and other standards. Our Vendor Code of Conduct and Business Ethics can be found at <https://investor.caretrustreit.com/corporate-responsibility>.

DIVERSITY & INCLUSION

CareTrust believes that employment should be based on a person's experience, work ethic and demonstrated ability, and not personal characteristics. We are committed to maintaining a workplace free of unlawful discrimination, which includes race, gender, marital status, age, color, religion, national origin, disability, veteran status, sexual orientation, or any other characteristic or status protected by law. We acknowledge that our commitment to diversity

must start with our Board of Directors, which currently includes one female director (out of five total), and we are committed to adding another by our 2022 Annual Meeting.

As an equal opportunity employer, CareTrust values the diversity of the unique individuals who make up our team. We do not discriminate on the basis of an individual's race, gender, age, color, religion, national origin, disability, sexual orientation, ancestry, genetic information, military service, creed, pregnancy, or marital status.

SAFETY & SECURITY

CareTrust recognizes the importance of the health, safety and environmental well-being of our employees and communities, and is committed to safeguarding these objectives. We also contractually require our triple-net Tenants to operate our facilities in compliance with applicable health and safety laws, ordinances and regulations. As the facilities we own and our Tenants operate are mostly residential or inpatient health facilities, the health and safety laws, ordinances and regulations governing their use and operation, and with which we require them to comply, generally exceed acceptable levels of health and safety for the typical workplace.



As an integral part of the overall healthcare continuum, our assets house some of the most frail, vulnerable and needy patients in the communities they serve. CareTrust is committed to using its influence to ensure that these assets and the Tenants who operate them meet acceptable standards of safety and care, in order to facilitate preserving the basic dignity of each resident and patient they serve, and each employee providing that service. Among other things, we require that our skilled nursing operator Tenants, who account for roughly 80% of our rental income, have in place a formal written internal compliance program, with a designated compliance officer overseeing and enforcing it, to promote the delivery of quality care and the preservation of patient and resident dignity.

LAWS & REGULATORY COMPLIANCE

CareTrust prohibits the use of child labor in our business and any business serving ours, in accordance with ILO Convention No. 138 and ILO's related literature.¹

CareTrust rejects the use of slavery and other forms of forced or coerced labor or servitude,

including prison or debt bondage labor, human trafficking, and the lodging of deposits or identity papers by employers or outside recruiters.

CareTrust is committed to compensating its employees at competitive rates, in all cases at or above prevailing minimum wage levels. We are committed to paying compensation to all employees sufficient to meet their basic needs, to offering healthcare and other employee benefits that meet or exceed market standards, and to offering opportunities for professional development and promotion relevant to each employee's responsibilities for employees who seek such opportunities.

CareTrust prohibits corruption in all its forms. CareTrust will not engage in any form of corrupt practices including, without limitation, extortion, fraud, impersonation, false declarations, bribery, money laundering, supporting or involvement with terrorist or organized crime organizations or activities. CareTrust will not offer, and CareTrust personnel will not solicit or accept, bribes or kickbacks involving any government official or third party with the intention of obtaining or retaining a business advantage.

1. https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138



Risk & Resilience

As a part of CareTrust's due diligence process, we closely evaluate and make note of any existing issues at the physical plants in a detailed report to our asset management team upon acquisition. Based on the asset management team's analysis of the reports, we are able to identify potential environmental improvements to be discussed with the operators that could lead to more efficient use of capital expenditure budgets.

As real estate owners and investors, we recognize the potential physical risk to our assets and tenants associated with climate change and other environmental risks.

We also acknowledge the interests of our investors, our employees, the communities in which our properties operate, and other stakeholders in our efforts to address these issues, risks and opportunities. While the ESG Committee oversees the development and implementation of our environmental programs, senior management is ultimately responsible for our progress on environmental and sustainability matters, and their annual incentive compensation is based in part on achieving certain environmental objectives each year.

Management reports to the board of directors on at least a quarterly basis, addressing policy

and disclosure changes in the quarter, including climate-related and other environmental risks, opportunities and activities. We also intend to report to shareholders periodically on our performance with respect to our Sustainability Policy and our environmental and sustainability practices in our annual Sustainability and Governance Report. We have initially elected to correlate our results and reporting to the Global Reporting Initiative (GRI) Standards wherever possible, and to build our reporting practices around the February 2019 NAREIT Guide to ESG Reporting Frameworks. As benchmark data is collected and analyzed, and key environmental and other metrics area available for comparing trends and progress over time, we intend to report on those trends using these standards and frameworks, as well as others which may be relevant to our business and the operations of our triple-net tenants.

“AT CARETRUST, WE HAVE INITIALLY ELECTED TO CORRELATE OUR RESULTS AND REPORTING TO THE GLOBAL REPORTING INITIATIVE (GRI) STANDARDS WHEREVER POSSIBLE, AND TO BUILD OUR REPORTING PRACTICES AROUND THE FEBRUARY 2019 NAREIT GUIDE TO ESG REPORTING FRAMEWORKS.”



For more information, please contact Jason Rodgers, the Chairman of our ESG Committee, at jrodgers@caretrustreit.com.

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