Target Fund Managers Limited

The UK Stewardship Code

Statement of Compliance: 31 December 2024

Contents

Introduction

Contact us:

+44 (0)1786 845 912

info@targetfundmanagers.com

targetfundmanagers.com

Target Fund Managers Limited, along with Target Advisers LLP (collectively "Target" or the "Company"), is a fund manager and investment adviser in healthcare real estate and a specialist in the care home subset of that asset class. Target's predominant investment strategies are in modern, well-designed, purpose-built care homes for the elderly which are subject to long leases with carefully assessed third party tenant operators. As at 31 December 2024, Target had assets under management of c.£1.1 billion, consisting of investments in 104 care homes, with 38 individual tenant operators.

Target's purpose since establishment in 2010, through responsible real estate investment, has been to provide and advocate for fit-for-purpose real estate which improves living standards for residents and facilitates quality personal care. This analytical, principled investment approach aims to deliver long-term investor returns and ensure effective stewardship practice and outcomes in the process.

Target's mission requires it to partner with tenant operators who share its values and ethos, and can demonstrate the necessary operational capabilities to effectively care for residents and provide an efficient and rewarding environment for their staff. Target values these partnerships and believes they are fundamental to the long-term success of its investments. All investments are made with diligence, detailed analysis and a genuine passion for doing what is right for all stakeholders.

The tenants operating the care homes Target invests in are typically providing care for residents in their latter years, often end of life, and so it is essential that this is happening in the right setting. Target follows an 'engaged landlord' approach to ensure that the tenants' operational and financial performance continues to meet an appropriate standard and, within the constraints imposed by a landlord/tenant relationship, will take action where necessary to ensure effective stewardship of the assets under its management.

The type of properties that are acquired under Target's investment approach are modern, purpose-built care homes which provide a high quality of real estate for the operating tenant, and their residents and staff.

The following report sets out how Target's stated business model and strategy naturally aligns with the requirements of the Stewardship Code; being the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The Statement of Compliance was approved by the Board of Target Fund Managers Limited on 30 April 2025.

Kenneth MacKenzie

Chief Executive

Principle 1: Purpose and Governance	
Principle:	**Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.**

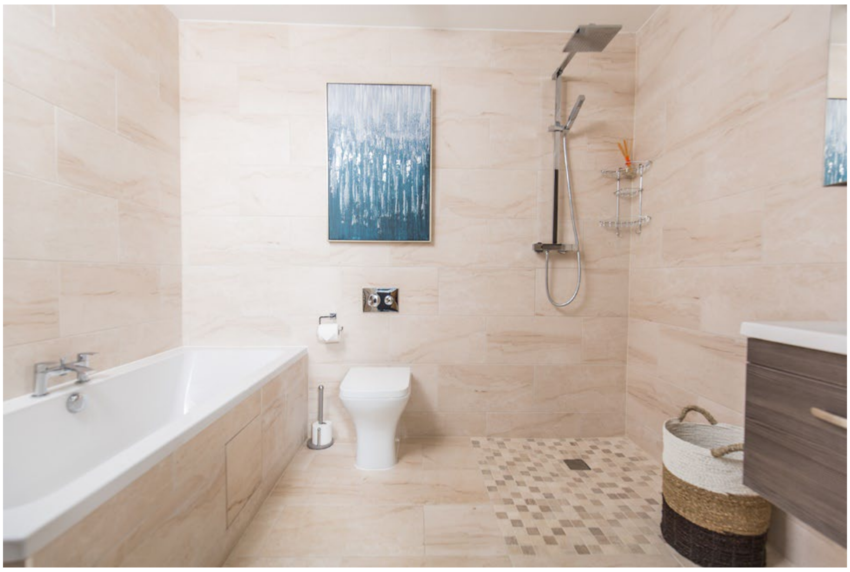
Context:

Purpose and investment beliefs

Target's purpose is to accelerate the improvement in the physical standards of UK care homes through long-term, responsible investment in modern real estate which delivers clients' return objectives.

Target invests in, and advocates for, modern, well-designed, purpose-built care homes with full en suite wet-room facilities as the minimum acceptable standard across the sector. These provide dignity, privacy and choice for residents, are well-equipped for care providers to operate in, and allow for community interaction and pleasant visiting for friends/families of residents as well as most effectively supporting infection control efforts.

Real estate of this standard is significantly undersupplied, with c.66%[(1)] of the UK's existing care home bedrooms in need of modernisation to these minimum standards. The sector is recognising the need to modernise its real estate, with wet-room provision having increased to 34% from 14%[(1)] only ten years ago. Demographic trends, with increasing numbers of people over 85 years of age and increasing demand for needs-based care, require a significant increase in the future supply of modern care home real estate and allow Target to invest with confidence for the long-term. Target will aim to partner with others in the industry that share its beliefs, ethos and values.



It is Target's belief that investing in high-quality real estate, combined with careful selection of tenant operators, will not only benefit the underlying residents, communities and carers; but will ensure effective stewardship of clients' funds by ensuring that:

- the real estate acquired is of high-quality and best-in-class within its local market ensuring that, as the overall improvement in the physical standards of real estate in the care sector advocated by Target comes to fruition, the physical assets held remain in demand by both tenant operators and their underlying residents;
- the demand for care provision in the physical real estate is supported by local demographics; and

- the terms of the lease, and the careful selection of capable tenant operators, ensures the long-term, sustainable nature of the business being operated from each home, thereby providing clients with robust, long-term income or, should it prove necessary, permits the re-tenanting of the property on a timely basis with minimum disruption to residents and without loss of value for clients.

Target's investment approach is to act as an 'engaged landlord', ensuring that it not only understands the physical fabric of the buildings in which it invests, but that it also understands the underlying drivers of the care home operated by the tenant from that property. Target's interest goes beyond the purely financial, with the firm belief that a home and operator that ensures the wellbeing of residents will ultimately be a successful one. A successful and well-run tenant business will not only benefit the residents and tenant operator, but ultimately support Target's clients by ensuring well covered rental income streams, thereby also preserving investment yields and capital values.

Culture and Values

Target aims to ensure that all activities undertaken by the Company, its staff and representatives demonstrate the Company's values of Collaboration, Professionalism, Integrity, Openness, Respect, Care, Humility and Forgiveness.

As part of the recruitment process, it is confirmed that any new employees share Target's values, with training and other activities undertaken to ensure that the culture inherent at the Company's inception in 2010 remains undiluted as the Target team grows in size.

Further detail on Target's structure is provided in Principle 2.

Business Model and Strategy

Target's business model is to act as Investment Manager, Asset Manager and/or Alternative Investment Fund Manager to investment companies and funds. Target's investment approach is to invest monies for the long-term in order to generate long-term, sustainable income with the potential for capital growth. This matches the requirement of the sector in which it primarily invests, care homes for the elderly, which is a sector that Target believes is in need of long-term capital investment.

Effective stewardship of its clients' monies is essential to the preservation of capital required to meet Target's long-term investment horizon and to ensure that the assets acquired can continue to generate income on a long-term, sustainable basis.

Target's management fees are based on the level of funds under management and therefore effective stewardship, which will continue to attract further long-term investment capital to the sector, will ensure that the financial interests of both Target and its clients are aligned.

The main fund managed or advised by Target during the reporting year has an independent Board of Directors. Target's culture and investment process ensures that detailed and bespoke reports are provided on a regular and timely basis to the Board to ensure that it is able to appropriately undertake its own stewardship activities and monitoring of Target's investment approach and performance. Where private funds do not have an independent Board of Directors, such reporting is provided directly to the shareholder representatives at one-to-one meetings. As an example, Target's largest client holds quarterly scheduled Board Meetings, and a separate strategy meeting which sometimes includes physical visits to a representative sample of the properties owned by the client. These meetings were supported by extensive Board papers reporting on the property portfolio, including any systemic or individual risks identified. Detailed investment papers are also provided in relation to each property acquisition, disposal or significant asset management initiative proposed by Target.

(1) Carterwood – December 2024

Activity:	Target has a long-term investment horizon and has established strict investment criteria within workable investment policies (which are set out in more detail in Principle 7). Since Target was established in 2010, it has continued to hire specialist staff, including those with experience of care home management and operation. This ensures that Target has in-house experience of the tenants' businesses in order to provide better oversight of clients' properties and to identity and reduce individual property and/or portfolio risks. Target also undertakes research in order to educate itself and ensure that, collectively, it is a specialist in the sector and understands the key drivers of performance of the properties in which it invests, and the drivers of its tenant operators. Target then ensures that the key drivers identified are inherent within the investment and asset management processes within the business. Target uses the research and due diligence undertaken to date, supported by underlying information on UK care homes, local demographics and other important factors, in order to drive appropriate investment decisions (further information on the investment approach is contained in Principle 7 and on the asset management approach in Principle 9). This in-house information is supplemented by subscriptions to appropriate external providers such as LaingBuisson and Carterwood. The sector in which Target invests is complex, and needs detailed monitoring, understanding and input, as appropriate, both to anticipate and manage problems to protect value, and to ensure that the tenant operators are able to provide care for residents in an appropriate setting. The continued investment in employees of Target is set out in more detail in Principle 2. In addition to the acquisition of standing assets, Target has brought new long-term capital into the sector through prudent investment in forward funded developments, pre-let to carefully selected tenant operators. The culture established within Target ensures that all employees are committed to the mission, as are partner funds which it manages/advises, leading to investment decisions being taken which are in the long-term interests of client funds, care home properties, tenant operators and their underlying residents. Target has aimed to use its expertise to educate market participants on the appropriateness of its underlying investment strategy by highlighting, through investment reports, presentations and seminars/sector events, the significant undersupply of quality properties in the sector and the requirement for rents to be set at sustainable levels.
Outcome:	New staff recruited to the business continued to complete the established induction process; which includes regular one-on-one meetings with the founding members of the business to ensure that they understand the Company's core values and beliefs, and reflect these accordingly in any actions they undertake on behalf of Target. In an average year, Target will usually consider in excess of 100 introductions for potential property acquisitions. After applying Target's strict investment criteria, following the investment approach set out in Principle 7, and conducting due diligence, Target committed to one forward fund development in the year ended 31 December 2024. Target also sold four properties. Further details on these disposals are included as case study 2 below. As with most sectors, over the year the largest changes likely to disrupt Target's established purpose, investment beliefs, strategy and culture were the ongoing impact of the significant and rapid shift in interest rates, inflation and asset values which had started in late-2022. This contributed to the widening of discounts and the increase in corporate activity across the listed property sector that was witnessed throughout 2024. The residual impact of the COVID-19 pandemic also continued to be felt in the care home sector in which Target's clients

invest, with average resident occupancy levels remaining below pre-pandemic levels. The potential impact of this market disruption was partially mitigated by Target's investment approach of focussing on properties leased at sustainable rent levels and in high quality real estate that would be expected to remain attractive to alternative tenant operators and generate private fees, ensuring that whilst resident occupancy levels remained relatively low, the level of rent cover for client portfolios remained above initial investment assumptions.

Over the course of the year to 31 December 2024, Target has continued to carefully monitor the performance of its investment portfolio. Physical visits are usually undertaken to each care home at least twice yearly, and are supplemented by telephone conversations with the care homes and head office staff of each of the tenants. These calls are aimed not only at collating information in relation to the assets held, but also to pass on Target's experience and market knowledge. Over the year, Target team members undertook a total of 299 physical visits to homes, consisting of 206 in depth six-monthly visits, 58 further scheduled, but shorter and more informal, physical visits and 35 site visits to inspect the progress of building works being undertaken at properties/development sites. Target believes that the direct observation of both the fabric of the care home properties and the operations being conducted therein that is facilitated by a physical visit significantly enhances its stewardship of the direct property portfolio. Target also helped to facilitate visits by certain of the non-executive Directors of a client to two of the care homes held in that client's portfolio to further inform them of the specifics of the type of properties held and thereby enhance the client Board's own stewardship role.

EFFECTIVENESS

Portfolio resilience and performance

Over the year to 31 December 2024, rental collection was 98%, demonstrating the resilience of the rental income generated by each portfolio's assets. The external property valuations also proved resilient with the average like-for-like net initial yield on the aggregate care home properties held by Target's clients narrowing marginally on a like-for-like basis and capital values being further supported by inflation-linked rental uplifts. This revenue and capital performance, even in the challenging economic circumstances of higher interest rates and inflation, continued to evidence the effectiveness of the investment approach adopted.

As at 31 December 2024, the portfolio weighted total returns (based on total assets) across Target's clients which were members of the MSCI UK Healthcare Annual Property Index (the "MSCI Index") were as follows**:**

	One year	**Three years**	**Five years**	**Ten years**
Total return (annualised)	9.9%	7.2%	7.9%	9.3%
MSCI Index (annualised)	5.4%	3.8%	5.5%	7.1%

Target's largest client was ranked fourth out of 37 portfolios in the MSCI Index on a total return basis for the year ended 31 December 2024, and second (out of 12) when measured on a ten-year basis.

Investment

Case Study 1: Continued assembly of portfolio for new client mandate

Although highlighted in this report last year, with capital markets remaining constrained, the continued assembly of a portfolio for a relatively new client mandate remains the most relevant and recent case study to illustrate Target's investment approach in practice. During the course of 2023 and 2024, Target assembled a portfolio of ten modern, purpose-built care home assets for a new client comprising the acquisition of five standing care homes and five

	forward fund developments. The provision of funding to support new care home developments, all of which are pre-let to well-regarded care operators, enables new long-term capital to enter the sector, as well as further improving living standards across the sector and facilitating quality personal care. By 31 December 2024, four of the five forward fund developments had reached practical completion, with the final development on track and expected to reach completion in July 2025. Valued in excess of £130 million and consisting of 686 beds once the final forward fund development is complete, each bedroom of which will have full en suite wet-room facilities, the carefully curated portfolio provides best-in-class real estate in geographically diverse locations where the long-term investment thesis is underpinned by compelling local demographics. The properties include many of the physical characteristics associated with Target properties, with strong levels of communal space (50+ sqm per resident); wide corridors ensuring ease of circulation for residents and care staff; and a focus on access to outdoor space, including balconies. The diverse tenant base consists of six operators – three substantial regional "for-profit" operators and three well-regarded "not-for-profit" operators – each of whom demonstrate the necessary operational capabilities to effectively care for the residents, as well as providing an efficient and rewarding environment for staff. This is reflected in the regulatory ratings achieved by the tenants, with all homes which have been inspected by the Care Quality Commission categorised as "Good". Diversification will improve further on completion of the remaining forward fund development, which is pre-let to a new tenant to the client portfolio. As part of Target's detailed due diligence process, encompassing legal, real estate, financial, tax, environmental and valuation diligence, Target analysed the fair maintainable trade of each of the underlying care home operations to ensure rental levels were set on an affordable and sustainable basis. This included benchmarking the assets against comparable properties in Target's wider portfolio, as well as other assets which Target has assessed in its position as a key specialist investor in the sector. The focus on establishing sustainable rents based on the local markets in which the care homes operate, combined with putting in place long-term, full repairing and insuring leases, helps deliver robust, long-term returns to investors. Consistent with Target's strong ESG objectives, each of the forward funding developments are expected to have exceptional ESG credentials, targeting BREEAM-In-Use "Excellent" and EPC ratings of "A" through the use of renewable energy sources, including photovoltaic panels, battery storage and heat pumps. With regards to the standing assets, although each of the assets have minimum EPC ratings of "B" and actual/estimated BREEAM-In-Use ratings of "Very Good", as part of Target's acquisition diligence, and using our house standard ESG framework, Target identified measures to further improve the energy efficiency of the buildings and set aside capital to undertake these upgrade works. Post-completion of each acquisition, the Investment Team ensured a detailed handover briefing was undertaken with the Asset Management and Finance teams, thereby ensuring a robust transfer of knowledge in relation to the operators and the properties, and enabling a seamless transition to continuing Target's 'engaged landlord' approach.






Case Study 2: Disposal of four care homes

Similar to the disposal of four properties in Northern Ireland detailed in this report last year, Target completed a further property disposal for one client during the year ended 31 December 2024. This £44 million portfolio transaction consisted of four properties which had originally been constructed in 2007/08, and which were consequently amongst the oldest assets in the client's portfolio and, reflecting real estate standards at the time of construction, the properties had a c.12% lower gross internal floor space per resident than the client portfolio's weighted average. In addition, these assets represented the four shortest lease terms in the client portfolio. Notwithstanding these factors, the portfolio was sold at a modest premium to the client's carrying value and at an implied net initial yield of 5.6% compared to the client's portfolio average of 6.2% at the transaction date. With the properties having originally been acquired for the client as part of a significant portfolio acquisition in December 2021, this disposal enabled the client to crystalise significant value from these assets despite the relatively short holding period for a property investment, resulting in an annualised ungeared IRR in excess of 7% over the period of ownership (including both acquisition and sales costs). The sale also helped to rebalance the geographic diversification of the client's portfolio, and provided funds for the client to recycle into the construction of new development assets, which in turn have supplied much needed purpose-built beds to the market.

This case study illustrates Target's ability to maintain portfolio quality and protect capital value for its clients by successfully undertaking appropriate asset management and investment activities before disposing of assets to realise attractive long-term returns.

Case Study 3: Performance payments

During the calendar year ended 31 December 2024, performance payments of £1.9 million were payable on behalf of one of Target's clients. The amounts paid are rentalised, generally reflecting a yield agreed at the time of the original acquisition of the property, and are only paid when the rent cover at the relevant home is at a level considered appropriate to support the continued payment of rent at this increased level. These payments illustrate the core tenet of Target's investment approach - of ensuring that rents are initially set at a prudent level - whilst providing scope for improvement should the operational and financial performance of the home and tenant subsequently evidence that a higher rent level is supportable.

Asset Management

Target's approach in being an engaged landlord ensures that it remains fully up-to-date with activities at each of the homes it owns throughout the period of ownership. Detailed examples of this approach that arose in the year in relation to the re-tenanting of one of the properties held by Target's clients and the funding of a substantial refurbishment of another property are shown below:

Case Study 4: Re-tenanting of care home

During the year, a home was re-tenanted following the existing tenant encountering operational challenges and the Local Authority having temporarily taken over the operations of the home to ensure the continued service provision to the care home's residents. Whilst the client continued in the meantime to receive full rent for the property, the Local Authority did not wish to continue to operate the home on a long-term basis and therefore an alternative operator was sought. Prior to the tenant's recent operational challenges, the home had historically performed strongly and this, combined with the quality of the real estate, helped Target to achieve a re-tenanting of the home to an experienced regional tenant with a strong operational and financial covenant, including strong regulatory ratings for their other care homes. The overall rent level payable to the client remained unchanged, with Target ensuring continuity of rental income for the client throughout. Since the completion of the re-tenanting in May 2024, the operations of the home have improved, reaching 100% resident occupancy in early 2025.

This case study illustrates responsible oversight of capital for Target's clients in terms of protecting capital value, maintenance of rental income where challenges arise, and the benefits to other stakeholders through proactively working with other parties to ensure continued operation of the home and the avoidance of disruption to the home's residents.

Case Study 5: Refurbishment of care home

During the year, the refurbishment of a home neared completion. When acquired in 2021, this home was tenanted to a national operator who subsequently experienced group-wide financial challenges, and the re-tenanting and refurbishment of this older property had formed an integral part of the initial investment thesis. As anticipated, the home was successfully re-tenanted to a new operator in November 2021 and, in consultation with the new tenant, the scope of the intended refurbishment was enhanced in order to return the home to a leading market standard and better position the home to allow the operator to trade successfully. The investment in the home brings desirable real estate features to one of the older homes in the client's portfolio, enhancing the quality of the care home offering in the local community.

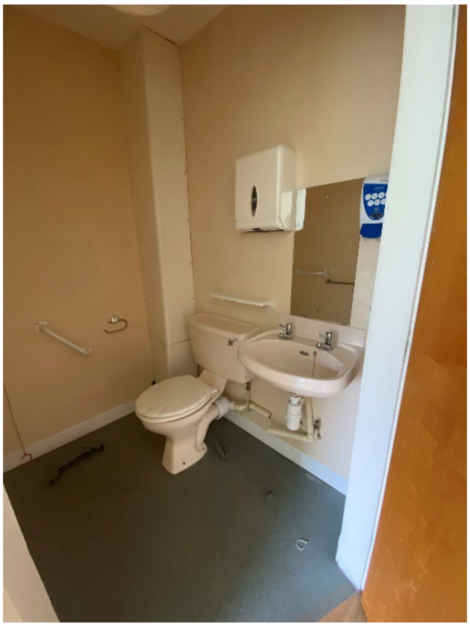
In determining the scope of works, it was sought to incorporate a number of aspects that would increase the social benefits to the resident and staff community as well as including practical energy efficiency and environmental measures to better equip the building for the future. Notable aspects of the refurbishment were:

- the conversion of all bedrooms in the home to offer full en suite wet-rooms, replacing the existing en suite facilities which consisted of a toilet and wash hand basin only;
- upgraded assisted baths;
- the introduction of a second lift to assist staff with resident mobility; and
- renewables including photovoltaic panels, air-source heat pump, electric vehicle charging points, LED and motion sensors for various lights throughout the home, and betterment to the existing fabric through various forms of insulation.

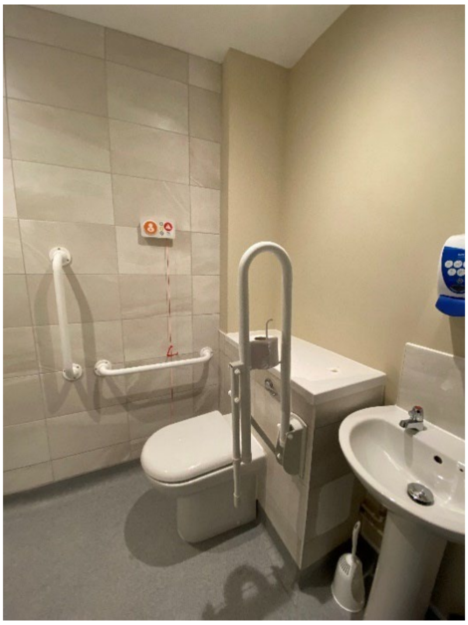
The client directly contributed towards the costs of the renovations, whilst also supporting the tenant's contribution by providing for this to be rentalised at an appropriate yield whilst ensuring that the overall rent would remain at a sustainable level.

This renovation was completed in stages, whilst the home remained operational, and reached practical completion in April 2024, although further works including the potential expansion of the lounge/dining area and/or the building of new terraces to offer residents access to outdoor spaces from the upper floor are under consideration for the future.

This case study illustrates both responsible oversight of capital for Target's clients in terms of creating long-term value and using asset management initiatives to lift real estate quality and better futureproof standing portfolio assets, with this renovation partially contributing towards the client's portfolio reaching 100% en suite wet-rooms early in the following calendar year.



Before renovation (basin and WC only)



After renovation (full en suite wet-room)

The combination of decisive and pro-active re-tenanting action when required, alongside patience and support when justified for the right operators, reflect Target's approach to creating long-term value for clients and beneficiaries in a responsible manner.

Principle 2: Purpose and Governance	
Principle:	**Signatories' governance, resources and incentives support stewardship.**
Context:	Throughout the year to 31 December 2024, the senior management team of Target consisted of seven executives (the "Executive Team"). It has responsibility for strategic and operational decision making on behalf of the business and recommendations in relation to the funds it manages. Subsequent to the year end, the Executive Team was expanded to include the additional role of Head of Investor Relations. Target is majority-owned by certain members of the Executive Team (and their associated persons). The Executive Team meets regularly, usually at least weekly, and takes a collaborative approach with collective responsibility.  The key members of the Executive Team, along with three non-executive Directors, form the Board of the Company which meets on a quarterly basis. The Board includes an independent non-executive Director. As at 31 December 2024, the role of independent non-executive Director was fulfilled by Malcolm Naish MBE, an experienced property and investment professional, having qualified as a Chartered Surveyor in 1976. With a total of 33 team members at 31 December 2024, there are regular opportunities for the whole business to engage collectively and share significant developments in the business, the portfolio or the broader environment. The individual functional teams also meet regularly to share information, ideas and knowledge on both the property portfolios held and the wider sector. The Executive Team/Board was supported by an external Compliance Officer, with an internal Risk and Compliance Manager being appointed during the year to 31 December 2024 in order to add some internal resource, supported by the appointment of an external compliance consultant company. Target has established separate ESG, Compliance and Conflicts Committees. Further detail on the Conflicts Committee is set out in more detail in Principle 3. These committees include members of the Executive Team, or other senior members of staff,

depending on the matters to be discussed. The intention of the committees is to ensure that matters arising are considered on a timely basis, and in depth, prior to each committee reporting directly to the Board.

By including members of the Executive Team, as well as an appropriate cross section of team members from each of the functional teams, in each of these Committees, Target ensures that the activities that they undertake are sufficiently resourced with a wide range of experience and qualifications. This also ensures that members of the Executive Team have direct oversight of the requirements of each of the Committees, and can ensure that Target as a whole has appropriately resourced its investments in systems, processes and research. The membership of each of the Committees is considered on a regular basis, and formally by the Board at least every three years.

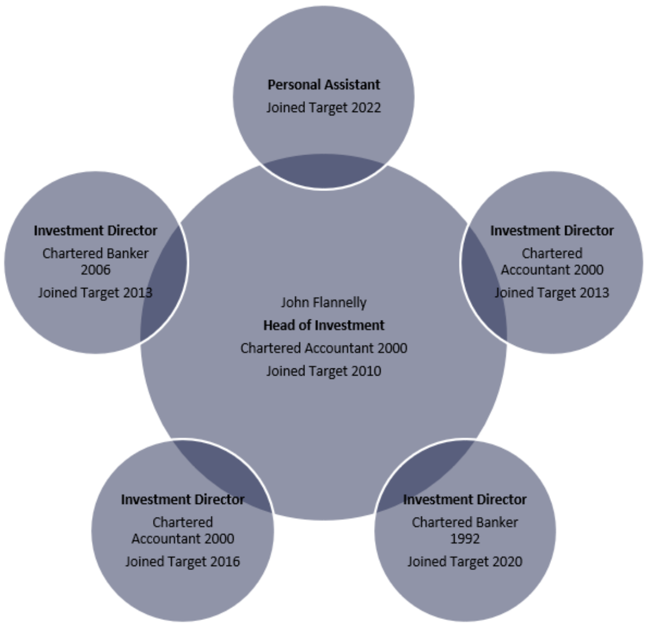
Where appropriate, given Target's size, external service providers may be used to provide specialist advice or services, such as lawyers, surveyors or consultants. One such example in the year ended 31 December 2024 was the continued appointment of a sustainability, energy and building services consultancy to enable the ongoing provision of BREEAM assessments, to continue to develop an ESG framework (as set out in more detail in Principle 7), and to advise on Target's GRESB submission on behalf of its main client's portfolio. This was supported by the appointment of an additional sustainability adviser to assess the same client's net zero carbon strategy and pathway.

Activity:

As a niche fund manager, with just over £1 billion of Assets Under Management, the number of clients, properties and tenants allows the Executive Team to hold an in-depth understanding of the portfolio with reporting lines from each of the functions as necessary to provide additional detail.

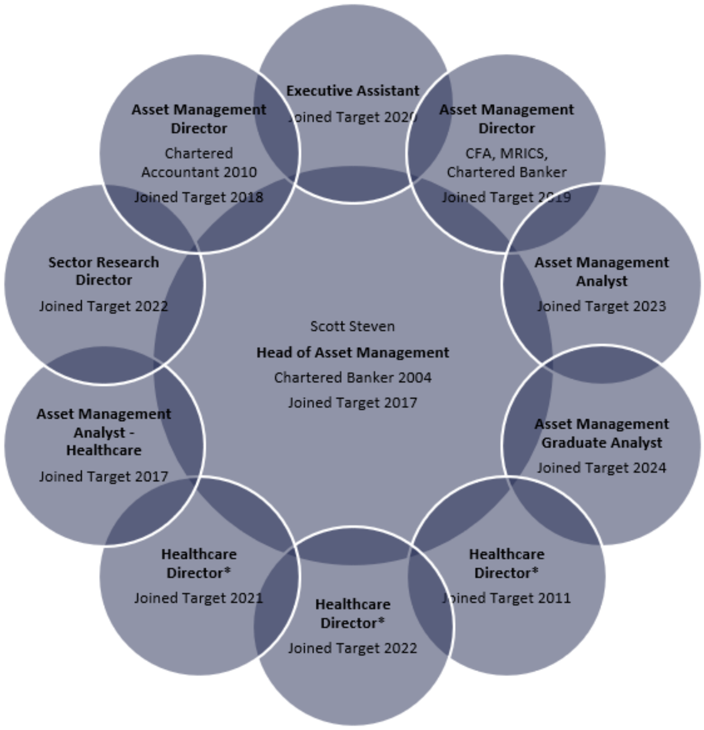
The co-ordination of approach at the Executive Team level ensures that Target's care ethos and values are both aligned at a high level and reported downwards to the wider team.

Investment Team:



The Investment Team is responsible for all initial investment acquisitions, including the completion of due diligence, and consists of experienced professionals, with a variety of experience, including banking. As necessary, expertise may be shared between the Investment Team and the Asset Management Team depending on the level of activity, the nature of the work being undertaken, and the skills and experience required.

Asset Management Team:



**The Healthcare Directors have experience across a number of specialisms of construction, nursing and the management of care homes and healthcare providers.*

The Asset Management Team is responsible for the ongoing monitoring of the properties (such as ensuring tenants are meeting their obligations under the full repairing and insuring ("FRI") leases) and monitoring of the underlying tenants; both in terms of financial performance and care related aspects. The Asset Management Team will be responsible for any changes to properties, or the underlying lease agreements, subsequent to initial acquisition. The Asset Management Team will also lead on any potential property or portfolio sales, supported by the Investment Team.

Finance and Company Secretarial:

	Stewardship There is not a separate stewardship team, instead stewardship matters are inherent in the investment process (see Principle 7) and the asset management process (see Principle 9). Ultimately the Executive Team, who discuss and review all significant investment or asset management matters, as appropriate, before any recommendations are made to the Boards of client funds, are responsible for considering stewardship matters. The performance measure of individual employees and their financial remuneration does not specifically incorporate stewardship. However, individual performance will be assessed against the Company's values and investment approach which, as set out in Principle 1, ensure stewardship considerations are addressed.
Outcome:	It is considered that the chosen governance structures and processes have been effective in supporting stewardship and are appropriate for the current size and nature of Target, the nature of its clients and the structure of its clients' underlying governance structures. The structure of the Executive Team ensures views from all functions are aired and discussed in significant decision-making. This allows effective stewardship by ensuring that all opposing views and priorities are heard, carefully considered and a fair and balanced conclusion reached. Ultimately, Target aims to balance financial returns with the sensitivity required to ensure that continuity of care is maintained for the end-users of the clients' homes. It is, however, noted that, as the size of the client portfolio and number of employees required to appropriately manage these portfolios continues to grow, the current flat organisational structure may need to become more hierarchical and therefore the current processes may require to be amended to introduce, formalise and document additional levels of control over time. At present, the structure allows the tone and values held by the Executive Team to cascade effectively to individuals within the Company.

Principle 3: Purpose and Governance	
Principle:	**Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.**
Context:	Target has established a Conflicts Committee, which has written terms of reference. Throughout the year ended 31 December 2024 this was constituted by an independent chair, the Compliance Officer and members of the Executive Team. The members of the Executive Team that are currently full-time members of the Conflicts Committee are the Head of Investment, the Finance Director and the Company Secretary; it is intended that members are rotated over time and that additional members may be invited to attend depending on the matters to be discussed. The Conflicts Committee will report any significant matters directly to the Board. The Conflicts Committee reviews Target's policies and procedures, as well as ensuring that actual or potential conflicts of interest are being identified and addressed appropriately and in line with the established policy. Target has a written conflicts of interest policy to address actual and potential conflicts of interest and this is considered on a regular basis by the Conflicts Committee. The aim of the Policy is to avoid conflicts of interest and to manage conflicts of interest in a manner that is equitable to the parties involved. A summary of the key terms of the conflicts of interest policy is set out below: Target will comply with applicable laws and will always seek to comply with the principles set out in the handbooks and guidance published by the Financial Conduct Authority in relation to conflicts, particularly including FCA Principle 6: Customers' Interests and FCA Principle 8: Conflicts of Interest. In the unlikely event Target's procedures and controls will not be sufficient to ensure that a potential conflict of interest does not damage a client's interests, it may be agreed between Target and the client (both acting reasonably) that the client may undertake the matter themselves or appoint a third party to do so. Target will disclose all conflicts of interest (whether actual or potential) to the clients who are affected (or potentially affected) by the conflict. The level of detail disclosed may be constrained where such disclosure would result in a breach of law or regulation by Target. Target will provide such information as may reasonably be requested by the parties affected or potentially affected by the conflict. *Acquisitions* Target has in place an allocation policy to ensure that it is able to fairly allocate available investment opportunities between its clients. Target will use reasonable efforts to ensure that each client has the opportunity to participate in potential investment opportunities of which Target is aware that fall within its investment objective and policy. In so doing Target will take into account the available asset opportunities for each of its funds in the light of their stated investment criteria, concentration limits and available capital (or the ability to raise additional capital whether that be equity capital or debt finance within the timescales necessary to complete the acquisition). Target will use reasonable efforts to allocate an investment opportunity to the client whose investment criteria most closely matches the investment opportunity. If the asset is suitable for more than one of Target's clients, allocations will be made on a rotational basis. Target will, however, have discretion in particular circumstances to allocate an asset or group of assets to a particular client outside the rotational policy, with the

allocation committee overseeing all allocation decisions and ensuring that the allocation policy is applied fairly to all clients. Following allocation, due diligence will be instructed on behalf of the relevant client and, assuming satisfactory due diligence, the asset will be acquired by that client.

The allocation policy was last revised during the year ended 31 December 2022 to reflect changes in Target's clients and was discussed with each of Target's main clients at that time to ensure that they shared Target's view that the policy as drafted achieved the aim of fairly allocating available investment opportunities. The policy includes a dispute resolution procedure should any disagreement arise as to the interpretation, application or result of the policy in the future. This allocation policy was applied throughout the year ended 31 December 2024, however no matters arose that required the allocation committee to convene. The last occasion on which the allocation committee did convene, with both relevant clients having been fully informed of how the allocation policy had been applied, is detailed in the 'Outcome' section below.

Disposals

When a fund decides to sell an asset, it is expected that in almost all sales processes a third-party agent will be appointed to manage an open market process. In a situation whereby Target, acting for another fund, resolves to bid for such asset, it will disclose the potential conflict fully to both the potential bidding fund and the disposing fund, and ethical walls will be established within Target to ensure segregation of information.

Disclosure

Where there are any conflicts of interest arising between Target and any of the other parties involved in an investment transaction, these are detailed in the investment paper provided to the client. Where there are no such conflicts, this is also explicitly stated.

Provision of information

Recognising the requirement to treat customers fairly, where Target is in possession of information that is available to, is to be provided to, or which has been requested by, more than one client (including their respective advisers, service providers, agents, fund manager or investment manager) it shall treat the clients fairly when disclosing such information and will ensure that the same information is provided to the clients at the same time.

Confidential information & Information Storage

Target will put in place procedures, reasonably acceptable to the clients concerned, to ensure that confidential, proprietary or commercially sensitive information relating to any client is not shared or made available to other clients or to third parties.

Fund promotion

Target shall not promote its clients' funds in any way that may cause confusion between those funds and shall, where possible, seek to avoid situations where a fund is competing for equity at the same time from the same investor.

Personal Account Dealing

Target's Compliance Manual, which is updated and circulated regularly to all Team Members, forbids any personal dealing by employees that is against, or may compromise, the interests of its clients. The policy is designed to minimise actual or potential conflicts between employees and investors and clients of the Company, and prevent fraudulent or manipulative practices with respect to dealings in securities held. Failure to comply with this principle is a serious disciplinary matter.

Activity:	A summary of the ongoing potential or actual conflicts is circulated to the members of the Conflicts Committee at least quarterly, or more frequently should the circumstances of a potential or actual conflict arise or change. The Conflicts Committee meets at least twice a year to consider its terms of reference, ensure the completeness of the conflicts register and the process for ensuring that all conflicts are captured and reported and to review the current position of all reported conflicts. Whilst many of the specific actual or potential conflicts are specific to individual clients and therefore cannot be publicly disclosed without breaching client confidentiality, the Conflicts Committee will consider, for example, circumstances where the same care home operator may be the tenant of properties held by more than one of Target's clients. The Conflicts Committee will ensure that any decision made, or recommendation provided, considers the impact on a home-by-home basis and is not making a combined decision that may benefit the performance of one client's property at the expense of another.
Outcome:	**Case Study: Take-on of new client with similar investment mandate and asset allocation policy** During the year ended 31 December 2022, Target established a new client fund with a two-year initial investment period and this mandate reached full commitment during the year ended 31 December 2024. The investment mandate for the new fund overlapped with the investment universe for an existing client mandate and therefore, particularly with property investment by its very nature being in discrete, non-divisible and non-homogeneous assets, this increased the potential risk of conflict in ensuring that Target continued to fairly allocate available investment opportunities between its clients. As reported in this report in prior years, the asset allocation policy was reviewed at the time of establishment of the new client fund, and amended as appropriate, to ensure that it would continue to allocate fairly the available investment opportunities and particularly, with the potentially conflicting client funds having different funding structures and manner of raising/ providing finance for such opportunities, to ensure that in making such allocation the appropriate measure of capital available for investment for each client would be taken into consideration. Both existing and new clients were consulted as part of this process and a dispute resolution process was incorporated within the allocation policy in case a disagreement should arise as to the interpretation, application or result of the allocation policy in the future. This revised asset allocation policy was applied for the first time in the prior year, with one particular portfolio of four properties being allocated between the two clients. This was referred to the allocation committee, with one Investment Director being appointed to advocate on behalf of each client, and the final decision being arbitrated by the Head of Investment in line with the allocation policy. This took into consideration the available capital of each client, their existing tenant and geographical diversification and the details of the properties being acquired, and resulted in an allocation which benefitted both clients. The potential conflict, and application of the allocation policy, was fully disclosed to both client Boards, or equivalent. The appropriateness of the allocation policy continued to be kept under review during the year ended 31 December 2024 with Target's Conflicts Committee, chaired by an independent non-executive Director, continuing to review whether any potential or actual conflicts had arisen. However, there were not considered to be any matters that required an allocation committee to be convened during the year or other mitigating actions to be taken.

Principle 4: Purpose and Governance	
Principle:	**Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.**
Activity:	The Board and Executive Team are responsible for the Company's risk matrix which documents risks faced by the Company and the investment universe of its clients in their ability to meet their objectives. The matrix is formally updated by the Board at least annually and is also considered throughout the year at strategic sessions of the Executive Team. The risk universe is considered for completeness, through business discussion against an objectives framework, brainstorming and comparison against other published risk matrices, and each risk is then rated based on likelihood and impact. Risk management and mitigants are considered, and ultimately the Company's response is documented with actions allocated where relevant. The Board and Executive Team take a prudent and conservative approach to risk assessment and management to reflect the risk appetite of client funds and the sensitive nature of the sector in which Target is investing, recognising that investments are long-term and that the preservation of capital, sustainability of assets and continued generation of income is fundamental. The investment approach is aligned – quality real estate standards are well-designed to meet the demands of residents and their families, as well as allowing care providers to operate effectively (i.e. to minimise chance of adverse events and to maximise trading performance). The asset management approach is also aligned, with a look through to the sector and its risks, and early-warning to allow Target to manage challenges with tenants to minimise risk to continuation of service. In relation to the wider sector, Target is involved with the BPF Healthcare Committee, Care England and National Care Forum (NCF). It will also liaise and discuss matters of significance to the sector with market regulators, such as the Care Quality Commission (through their Market Oversight team).
Outcome:	As discussed in more detail in Principle 1, Target remains a strong advocate of ensuring that the level of rent for tenants of properties held by its clients, and across the industry generally, are initially set at sustainable levels. This allows tenants to weather the financial consequences arising from unexpected events, whether these be matters specific to an individual care home or endemic to the care home sector as a whole; the COVID-19 pandemic having been a relatively recent, and extreme, example of the latter. The sustainability of rental levels, combined with the quality of real estate also advocated by Target, is considered key to the responsible allocation, management and oversight of capital by protecting both tenants and their residents, whilst also facilitating the re-tenanting of properties on behalf of Target's clients without the loss of long-term value, and minimising disruption to the underlying residents, should this ultimately prove necessary. In more recent times, the initial setting of rents at sustainable levels will have provided tenants with additional headroom to weather the impact of inflation, particularly from rising staff costs and energy prices, and higher interest rates at a time when their financial reserves may already have been depleted by reduced resident occupancy levels which, whilst gradually improving, continued to remain below pre-pandemic levels during the year ended 31 December 2024.

	Target has continued to use meetings with investors, analysts and other market participants, as well as attendance at sector forums, to emphasise the benefits of affordable and sustainable rental levels, on good quality real estate, in order to ensure the appropriate allocation of capital and prevent the future market disruption that may occur were rental levels to be set at unsustainable levels across the sector as a whole. The COVID-19 pandemic was a good example of the effectiveness of risk management. Pandemic risk was present on risk registers (both for Target and Target's clients) as a low likelihood/medium impact risk for the sector since prior to the start of the pandemic. In more recent times, Target's focus on purpose-built, best-in-class real estate, including forward funding new developments, has helped to supply additional beds to a market where supply is expected to reduce as older homes close, and where demographic tailwinds continue to forecast an increase in demand. Target's investment approach and portfolio management strategies were assessed to be effective mitigants, based on real estate standards and the operational capabilities of tenants in its homes. The sector overall has continued to perform well relative to other property sub-sectors (based on preservation of capital values and the resilient level of rent collection as set out in Principle 1). A further risk that has continued to increase in importance is the focus on ESG matters by the underlying investors in Target's clients, the property market generally and the tenants of the clients' properties and the commensurate risk of redundancy of older, non-compliant assets. Target's investment approach results in long-term investment in ESG-compliant, purpose-built care home real estate commensurate with modern living standards. However, by entering into long term leases with single tenants, Target does not have control over the supply or use of energy at the properties in which its clients' invest and, with tenants having the benefit of quiet enjoyment over the lease term, Target and its clients do not have full control over the ability to upgrade the properties in future should ESG standards or investor/tenant expectations and requirements change during the lease term. This will also impact on Target's approach to Principle 9, where Target may require to use its influence with its tenants to improve the ESG-credentials of the clients' property portfolio(s). Target's investment approach and portfolio management strategies are intended to address this risk arising from evolving ESG expectations by continuing to advocate for, and fund, the provision and development of purpose-built care homes, as this is considered by Target to be more appropriate real estate in which to invest in order to future proof against changes in the appropriate environmental and social credentials required by investors, tenants and the underlying residents and their families. This is supported by the inclusion of green clauses in new leases, and the amendment of existing leases where opportunities arise. As at 31 December 2024, green clauses were included in 61% of leases across Target's client portfolios. In relation to the wider sector, during the year ended 31 December 2024 Target was represented at the quarterly British Property Federation (BPF) Healthcare Committee; similarly with the National Care Forum (NCF), attending both quarterly meetings and the National two-day conference. Target has a supporter membership of NCF as well as Care England, and attended the latter association's annual conference. Recent topics on which Target has continued to provide input at these committees / events have been the Government's White Paper on Social Reform, ESG matters, including proposals on how to 'measure' the 'S' element, and not least the question of the UK's quality of care home stock and the need for wider education of the general public, investors, and politicians regarding the modernisation requirements of the real

	estate in the sector. Subsequent to the year end, Target produced a 'white paper' on "An Outlook on the Future of Older Adult Social Care in the UK". In the prior year, Target also produced an animated film, which remains available on both its website and that of its main client, to advocate for the modernisation requirements of the real estate in the sector and, in particular, highlight the need for en suite wet-rooms. Target also engaged with tenants of the properties held by its clients, and wider market participants, at a tenant dinner which it arranged. This is a forum used to promote discussion and the sharing of ideas and best practice across the tenant base and, in usual circumstances, is held annually. Further detail on the tenant dinner held during the year ended 31 December 2024 is contained in Principle 9**.**

Principle 5: Purpose and Governance	
Principle:	**Signatories review their policies, assure their processes and assess the effectiveness of their activities.**
Activity:	The Board will review this Stewardship Report, and the supporting stewardship processes at least annually. Given the size of Target, and the nature of its clients, a review by the Board, and continuous assessment by the Executive Team is considered proportional and no separate Stewardship Committee has been established. Given the structure of Target, and its main clients during the year under review which each have independent Boards and/or detailed and regular reporting directly to the underlying investor(s), there is continuous independent oversight of any material investment proposals, asset management initiatives and performance. The standard of reporting prepared, both internally to the Boards of those clients and any external reporting prepared on behalf of those clients for underlying investors in the clients' funds, is also subject to regular review and comment. For clients with a premium listing on the London Stock Exchange, the client's Board will also formally consider annually the terms of appointment of Target as investment manager, the quality of other services provided and whether the continued appointment of Target is in shareholders' interests as a whole. Target will also be in communication with the underlying investors in the funds it manages; either directly through meetings and presentations or indirectly by feedback received from, for example, the relevant client's broker, Board or other advisers. For those clients for which Target has been appointed as Alternative Investment Fund Manager ('AIFM') under the Alternative Investment Fund Managers Directive, the Alternative Investment Fund ('AIF') will have appointed a depositary. The activities of the depositary will include cash flow monitoring, ownership verification and compliance oversight services and they will report directly on their findings to the Board of the AIF. Target, and its clients, subscribe to various market indices, such as the MSCI Index (as reported in Principle 1) which will provide benchmark and portfolio information against which the performance of Target can be monitored and, where appropriate, reported. In order to ensure that Stewardship Reporting is fair, balanced and understandable, all disclosures are prepared by relevantly skilled and experienced team members and are subject to review by the Executive Team and, where appropriate, the Board before publication. In addition, for external reporting on behalf of clients, the client's other external advisers such as legal advisers, brokers and auditors will provide comments and challenge before publication.
Outcome:	During the year ended 31 December 2024, Target has received and acted upon feedback from a number of sources: • The bespoke reporting to clients' Boards continues to be improved and amended in order to reflect changing circumstances and client requests. • Changes to the internal and external reporting have tended to focus on ensuring appropriate coverage of ESG metrics as market practice across the UK property sector continues to evolve, with Target publishing an expanded Sustainability Report for its main client in July 2024. This is considered in more detail under Principle 6. • Standard lease terms used by Target as the initial basis for discussion with any tenant operator are kept under regular review, including comparison to both best

	practice and the terms adopted by others in the sector, and continue to be amended, principally to incorporate additional information provisions and requirements in relation to ESG principles. This is an area that is evolving rapidly and therefore is expected to continue to change to ensure that Target, and its clients, can meet their stewardship, and reporting, requirements. Given the stewardship principles followed are inherent to Target's investment and asset management approaches, and with the external independent Boards of each of Target's clients having direct visibility of the processes being followed and the outcomes achieved, it had not been considered necessary historically to undertake any additional internal or external assurance specifically in relation to stewardship matters. However, as reported in this report last year, Target now commissions an annual report over its own internal control processes, prepared under ISAE-3402: *Assurance Reports on Controls at a Service Organization* and reported upon by a big-four accountancy firm. For the year ended 30 June 2023, this ISAE-3402 report took the form of a Type-1 report, which reviewed the controls in place at a point of time. For the year ending 30 June 2024, the ISAE-3402 report was expanded to take the form of a Type-2 report, which reviewed the design and operation of controls over a period of time. This report was unqualified and did not contain any exceptions or highlight any concerns over stewardship matters. It is anticipated that Target will continue to commission the production of a Type-2 ISAE-3402 report on an annual basis.

Principle 6: Investment Approach	
Principle:	**Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.**
Context:	The weighted average underlying client base of Target's clients as at 31 December 2024 can be analysed by client type as follows: c. 71% institutional investors c. 21% wealth managers, private clients and family offices c. 8% direct retail The weighted average underlying client base of Target's clients as at 31 December 2024 can be analysed geographically as follows: c. 85% United Kingdom c. 5% USA c. 10% other The Assets Under Management can be analysed across asset classes and geographies as follows: • 100% AUM is UK care homes and elderly living real estate Investment in properties and property-related assets is expected to be long-term in nature and therefore the property portfolio is constructed on this basis in order to meet the specified investment objectives and investment policies of Target's clients.
Activity:	Each of Target's clients has an investment objective and investment policy in place and the Management Agreement with the client will ensure that each client's assets are to be managed in alignment with their stewardship and investment policies. Formal reporting, and meetings, will be held with the Board (or equivalent) of each client at least quarterly and the papers for these meetings will detail the performance, or other appropriate metrics, against which the status of the client's portfolio is measured and assessed. The nature of the reporting will depend on the type of client and will generally consist of: **Listed companies:** • Quarterly comprehensive and bespoke Board report will be provided to the non-executive directors; • Written recommendations in relation to each material Investment decision will be provided to the non-executive directors; • Full suite of reporting to external shareholders of the client will be prepared and reviewed by the client and their other external advisers; incorporating best practice such as the UK Code of Corporate Governance, the AIC Code and SORP, and EPRA guidance; • AGM will be organised and held; and • Regular shareholder engagement will be undertaken with the underlying investors of the client through management roadshows.

	Private funds: • Quarterly comprehensive and bespoke Board report will be provided to the non-executive directors, or equivalent, where applicable; • Written recommendations in relation to each material Investment decision will be provided to the non-executive directors, or equivalent; and • Investor meetings with comprehensive reporting pack supplied. All material Investment/Asset Management recommendations will be submitted to the relevant Client's Board for consideration, where applicable.
Outcome:	Reporting to Client Boards is based on mutually agreed reporting and feedback mechanisms and there have been no instances in the year ended 31 December 2024 where assets have not been managed in line with clients' stewardship and investment policies. Feedback will be received from clients, at least annually, in relation to the performance of Target as Investment Manager, which will be used to identify any areas where the needs of the client and/or beneficiaries are not being met. Target will meet regularly with the underlying investors in its clients' portfolios and, through these discussions, will gain an understanding of the needs and preferences of underlying investors. For listed client(s), further information on the needs and preferences of underlying investors will be received from the clients' brokers. For Target's client which has a premium listing on the London Stock Exchange, investor relations with the underlying investors in the REIT is evolving and the volume of direct shareholder engagement on stewardship and investment matters, including material environmental, social and governance issues, continues to increase. This reporting will continue to be adapted to provide, where possible, data requested by underlying investors. For example, in this regard, Target produced for this client a Sustainability Report for the year ended 31 December 2023, published in July 2024, for which the client received an EPRA Sustainability Best Practices silver award. It is intended to continue to publish such report annually.

Principle 7: Investment Approach	
Principle:	**Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.**
Context:	As set out in Principle 2 above, Target is structured with an Investment Team (which makes the initial investment appraisal and, if appropriate, investment recommendation) and Asset Management Team (which deals with the ongoing management of the property after acquisition). Whilst both these teams, and their integrated stewardship and material environmental, social and governance principles, are closely aligned, for clarity their approaches are reported separately below: **Investment appraisal** As a specialist, long-term investor in the healthcare sector, Target makes investments which: • provide a positive social impact by meeting its stringent minimum real estate standards of design and construction; • ensure that rents are set to be sustainable for the long-term permitting tenants to develop long-term businesses that provide continual and sustained levels of care to their residents; • benchmark appropriately in relation to the energy efficiency and sustainability of the real estate; and • are well governed at the portfolio level (stewardship of assets as an engaged landlord) and at fund level (best practice corporate governance, reporting and oversight). Target takes a commercial and diligent approach to asset selection and ongoing asset ownership, built around the detailed analysis of investment risks and opportunities, an up to date understanding of the sector and market context and drawing upon the specialist experience and expertise of the Executive and Investment Team staff. Investment opportunities are identified and evaluated on their individual merits and on the strength of their contribution to the investment strategy. ESG forms part of this evaluation strategy as it is aligned with Target's mission of investing in new care homes that set the standard for elderly care and recognising that the success of these investments is linked to the performance of the operator tenant. A considerable part of Target's due diligence extends to the experience and track record of the tenant, their care ethos and their commitment to responsible business and good industry practice. Target follows a house standard framework to assess the ESG credentials of any proposed acquisition. **Ongoing Asset Management** Target's policies and procedures identify the routine aspects of rent collection, rent reviews, financial and operational performance of the care homes and maintenance, along with other typical property management activities. In addition, Target prides itself on its 'engaged landlord' approach through which it seeks to engage in a regular and proactive dialogue with each care home manager and the area and executive management of each operator. As part of this engagement, it undertakes:

	• care home visits (virtual where necessary) to monitor and support tenants, at least once every six months. Target observes and notes care quality, assesses capital expenditure and repair/maintenance requirements, home performance, including regulatory findings with local/regional management; • regular calls and meetings with tenant senior management to discuss commercial and strategic trends; and • consideration of the results of regulator quality assessments as part of its overall view of tenant and asset performance. Through this programme of visits and dialogue with care home managers, Target aims to have awareness of developments at its homes and to identify potential further improvements to the ESG credentials of homes. As a landlord Target will proactively engage with the operators to understand what action is being taken to rectify a shortcoming, or to offer advice or support, to liaise with head office and monitor proposed changes or improvements. Given the age of the properties which Target has acquired since inception, few have required major refurbishment or upgrades to date, although one such example has been given as case study 5 within Principle 1. Over time Target expects to see more opportunities to work with tenants on upgrading the homes and implement further ESG initiatives. **Exit Decisions** Properties held will be continually assessed and, where appropriate, an investment or asset management recommendation will be made to the Board, or equivalent, of the relevant client.
Activity:	**Investment appraisal** In keeping with Target's investment policy for each fund, all property assets are high standard, future proofed, modern purpose-built care homes. The homes have good public spaces and facilities for residents, wide corridors and good lighting throughout and space in all the resident rooms. Nearly every bedroom has an en suite wet-room including shower. Investment opportunities are identified and evaluated on their individual merits and on the strength of their contribution to the investment strategy of Target's clients. ESG forms part of this evaluation strategy as it is aligned with Target's mission of investing in new care homes that set the standard for elderly care. The success of these investments is naturally linked to the performance of the operator tenant. A considerable part of Target's due diligence extends to the experience and track record of the tenant, their care ethos and their commitment to responsible business and good industry practice. Target also recognises the importance of a high-quality building to help tenant operators deliver this. Target has adopted a house standard framework in order to appraise an asset from an ESG perspective. All assets subject to acquisition are reviewed against this framework. The house standard framework enables Target to consider the extent to which a new acquisition meets its requirements. It provides Target with an understanding of how an acquisition performs against a broad range of criteria, spanning materially relevant issues the UK Care Home market faces, such as: • **Site context**, such as the use of previously developed land, ecological context, and environmental constraints.

- **Managing Climate Related Risks**, to screen potential climate related risks through the diligence process, by analysing risk factors which may present long-term risks to a building.
- **Design Standards**, to ensure that the quality of design of the real estate meets the requirements of tenants, residents and staff. The framework also considers specific environmental design features covering matters such as energy, water, and waste.
- **Construction Standards,** to ensure that any new home funded adopts high standards of construction management.
- **Community and Operator,** to examine how new acquisitions relate to the communities which they serve.
- **Accreditations,** to ensure alignment with best practices in sustainable design and construction.

The assessment against this framework considers both expected standards, where any non-compliance will require robust justification, and aspirational standards, which are considered to represent best practice criteria. It is expected that a care home acquired by a Target client would be able to align with the majority of these aspirational standards, however failure to do so does not require justification through Target's investment decision making.

Each asset is also assessed on the basis of Target's forecast Fair Maintainable Trade derived from the number of beds, the expected fees achievable, the occupancy, the operating costs, and other relevant factors. The rent is set to what Target believes is a long-term sustainable level which is intended to preserve the attractiveness of the asset in the event of needing to re-tenant the property at any point in the future.

This asset specific analysis is then benchmarked against the hundreds of other homes Target has acquired or assessed and Target will often make recommendations for changes based on this experience and, where such changes are a condition of Target's investment, they will be included in the relevant contractual terms.

Target reviews the plans for any home, including the technology used in the fabric of the building and in its operations, its situation in the local community and the types of care being proposed by the operator.

Due diligence also considers the local authority planning approval, ground investigation reports, flood risk assessments, proposed building materials and methods, plant and other internal equipment. Target will visit any proposed investment and will appoint a surveyor to undertake a detailed review of any standing asset or to monitor the progress of any construction or refurbishment works.

Target reviews the operator's track record – financial, operational, regulatory and also resident/family reviews – and undertakes visits to other homes operated by them to ensure the standards of care meet Target's ethos.

Maintaining strong staffing levels is fundamental to the provision of high-quality care, as well as providing good employment opportunities in what is traditionally a predominantly female workforce. Target ensures that its homes budget for appropriate levels of staff during the diligence process as well as considering the visibility and professionalism of staff on every home visit.

If the Investment Team wishes to progress an acquisition, it undertakes a "peer review" inviting all team members to a presentation on the potential acquisition, allowing for rigorous challenge in relation to any aspect of the evaluation to date, ensuring consistency of approach.

Finally, a written investment appraisal is submitted for approval (in accordance with the relevant fund's approval process) which has a specific ESG section to highlight the particular considerations of each investment.

Asset Management

While Target has no direct relationship with the residents in its care homes, the team members interact with staff and observe residents on any visit which provides an indication of resident well-being. The website www.carehome.co.uk is a leading UK care home review website and a forum for comments on care homes. Target monitors this website for reviews (and responses from management) for each of its homes on a weekly basis.

Target carries out frequent reviews and benchmarking of its standard form leases to ensure all requirements remain appropriate, including relating to ESG matters.

The existing leases contained performance measures such as compliance with the minimum energy performance standards introduced by the Energy Act 2011 brought into force by The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015.

The latest review led to updates that require new tenants to share details of the environmental performance from their operations (including energy use, utility consumption, waste production, etc) and to co-operate in identifying strategies to improve their environmental performance over time. Through this approach Target

	intends to influence and collaborate with its tenants over the life of the leases. These amendments will be proposed for all new leases and Target will also seek to incorporate the amendments in existing leases where opportunities arise. Target's typical leases also include provisions relating to maintaining the standard of the building beyond the typical "FRI" type clauses, including the ability for Target to require minimum annual capital spend if it feels the building has not been maintained to the relevant standards.
Outcome:	**Investment Appraisal** As part of the assessment of each new care home investment, Target considers the following particular features that it has identified as being essential in meeting the standards it expects for the residents: • Size of home per registered bed • Number and size of communal or public areas for resident use • En suite wet-room provision in all rooms • Corridor width • External spaces available for resident use Whilst always having been part of Target's standard investment appraisal methodology, due to the staff shortages noted in some geographical areas and in the care sector generally over recent years, additional consideration has been given to the availability and cost to the tenant operator of recruiting and retaining suitably qualified personnel in the area local to any investment proposition, including any measures expected to be taken by the tenant, such as direct overseas recruitment. With overall resident occupancy rates generally remaining below pre-pandemic levels, consideration of appropriate occupancy and fill-up rate assumptions, at appropriate fee rates, also remain important considerations particularly in relation to potential forward fund developments. The modern care homes Target invests in are new or nearly new purpose-built properties. At the start of the year, 100% of the EPC ratings across its clients' aggregated portfolios (with Scottish properties converted to the English-equivalent rating) are A to C which was significantly above the sector average, with 99% rated B or better. Where homes were rated C, Target had commenced the process of ensuring that there was a costed plan in place so that the property would at least comply with the Minimum Energy Performance Standards which were introduced by the Energy Act 2011 (which is likely to require the properties held by Target's clients to have an EPC rating of B or better by 2030). By 31 December 2024, the percentage of properties rated B or better had reached 100%. As operators begin to report on the environmental performance of their operations, both within Target portfolios and the wider market, there will be more data available to compare different building styles and operating approaches which will further feed into Target's investment appraisal process. Target has commissioned a "BREEAM in use" assessment for a sample of the properties in its largest client's portfolio. The BREEAM process is a recognised benchmark which addresses the following topics:

These "BREEAM in use" assessments are valid for three years and, where appropriate, have been supplemented by a sustainability and energy audit, which considers potential payback and carbon savings for possible retrofit measures to improve the sustainability of the assets. During the year ended 31 December 2024, Target has continued to engage BREEAM reports where considered appropriate to maintain an appropriate sample of valid assessments and, subject to the requirements of individual clients, Target intends to instruct a BREEAM certificate for each newly acquired care home post-acquisition (with a pre-acquisition assessment of the expected rating to be undertaken by an external consultant as part of the due diligence process). Given the similarity in the type of properties held, it is expected that each assessment conducted will provide many findings and recommendations that will be beneficial for the clients' portfolio(s) as a whole and therefore a BREEAM in-use assessment is not expected to be necessary for every individual asset on an ongoing basis. The intention is that a representative sample equal to around 10% of the total properties within clients' portfolios will have a valid "BREEAM in use" rating.

Target has worked with an external consultant in order to develop a house standard, more details on which are included in the 'Activity' section above, which was applied to all acquisitions undertaken during the year ended 31 December 2024. This house standard framework is designed to embed the highest ESG standards across every investment opportunity. Whilst many of the matters detailed therein have been inherent in the investment approach followed since the initial establishment of Target, the house standard formalises the framework for evaluating ESG matters regarding proposed acquisitions and provides a quantitative, as well as qualitative, assessment of how a proposed acquisition will perform against a broad range of ESG criteria. The house standard can also be used to provide clear and actionable criteria to other service providers, such as developers, surveyors and tenants, as to Target's expectations in relation to material ESG matters.

Asset Management

In addition to the home visits it undertakes every six months and its monitoring of any press coverage, regulatory publications and independent reviews, Target receives regular information relating to the operations of the care homes.

Target will request the environmental performance data for the operations in each care home to build a data set allowing comparison of performance by home and by tenant and also reporting of the overall portfolio.

The Asset Management team operates a Red, Amber and Green grading system on each home that takes into account all of the above indicators and that is reported at least quarterly to the Executive Team and the respective governance structures of each client.

In relation to its largest client, Target has reviewed each home based on gas usage intensity, EPC rating and EPC age date in order to help identify a priority list of care homes where undertaking ESG initiatives would be the most advantageous for both Target's clients and society as a whole. During the reporting year, in combination with an ESG-specialist consultant, the level of carbon intensity of the client's portfolio was also calculated, and the potential impact of identified interventions were assessed, relative to the CRREM and SBTi joint 1.5ºC decarbonisation pathway, in order to progress the actions required for the client's portfolio to achieve net zero in an appropriate timeframe.

Exit Decisions

In order to maintain oversight of hold/exit decisions, Target undertakes a formal quarterly portfolio review at which each property held by its clients is discussed. An indication of the hold/exit strategy for each home is also reported to the client Board, or equivalent, on a regular basis.

Given the long-term nature of real estate investment, and Target's careful selection of tenants, combined with its investment approach of focusing on quality real estate in appropriate geographic locations and leased at sustainable and affordable rent levels, all of which help enable a re-tenanting of the property should this prove necessary, Target does not expect to undertake significant asset sales on behalf of clients to achieve effective stewardship. During the course of the year under review, Target sold a portfolio of four properties achieving a good financial return for the client over the period of ownership whilst also improving certain key performance and diversification statistics for the remaining portfolio. The detail of this disposal is included as a case study in Principle 1.

Asset Classes other than Real Estate

Given the investment policies and structures of Target's clients during the year ended 31 December 2024, being either fully invested, holding revolving credit facilities which are repaid when significant cash balances would otherwise arise, or providing committed funds that are only drawn once a suitable acquisition has been identified and is close to completion, Target has not invested any uncommitted capital in any other asset classes prior to investment in real estate. Where significant cash balances are held, credit risk will be minimised by placing these funds only with a financial institution with a long-term credit rating of BBB or better, and by spreading the risk across a number of counterparties where appropriate.

Principle 8: Investment Approach	
Principle:	**Signatories monitor and hold to account managers and/or service providers.**
Activity:	Target, in combination with its clients where appropriate, undertake an appraisal at least annually of the significant service providers, including external data and research providers, to both Target and its clients. Given the nature of the work conducted by Target, there are few external providers which provide services directly to Target, with the majority of the appraisals being conducted in relation to services provided directly from external parties to Target's clients. This review consists of a qualitative analysis against certain defined measures such are service levels, communication, understanding of client requirements, technical knowledge, timeliness of response and cost-effectiveness. The outcome of this assessment will be reported to, and discussed with, the non-executive Directors of the relevant client. In turn, the performance of Target is reviewed at least annually by its principal client.
Outcome:	There have been no significant matters arising during the year ended 31 December 2024 where service providers have failed to meet Target's expectations; although the costs of certain providers have been benchmarked against alternative providers in order to ensure value for money was being achieved on behalf of Target's clients. In addition, in order to reflect what is considered to be best practice, and in the expectation that the rotation of external property valuers would become a mandatory requirement, Target previously led a tender of external valuation services for one of its clients, with the subsequent change in valuation firm taking effect during the year. In order to maintain the quality and availability of surveyors used in assessing investment opportunities, asset management and forward fund developments, Target has continued to move from the use of a single surveying firm to the use of multiple firms; establishing a panel of approved surveyors from which an appropriate appointee can be selected for an individual project depending on the surveyor's availability, and the timing and geographic location of the property under consideration.

Principle 9: Engagement	
Principle:	**Signatories engage with issuers to maintain or enhance the value of assets.**
Activity:	As set out above, Target invests in direct property assets and does not invest in equities or debt securities, and therefore its investments do not come with voting rights. Therefore, the equivalent of 'issuers' in relation to the stewardship of the type of assets in which Target invests is considered to be the tenants of the properties in which it invests. As set out in Principles 1 and 7, Target follows an 'engaged landlord' approach where it will aim to monitor and, where appropriate, influence the behaviours and actions of tenants both in order to maintain or enhance the value of assets and to achieve the best results for all stakeholders with an aim of generating sustainable benefits for the economy, the environment and society as a whole. This influence may be evidenced either through the exercise of the rights/covenants available under the existing lease agreements, or in the choice of tenants which Target works with in relation to a future development, acquisition or re-tenanting. Target believes that it has a level of engagement with the tenants of its clients' properties that exceeds the usual landlord/ tenant relationship. In order to ensure responsible allocation, management and oversight of the capital invested, Target takes an active approach to on-going monitoring and performance forecasting to ensure that the investment parameters are adhered to. As part of continuing due diligence, Target will monitor aspects such as: market fundamentals, yield movements, rental growth, supply and demand, rent cover, tenant profitability, fee rates, changes in legislation, regulatory reports on assets, portfolio activity, investment activity, performance, corporate actions and valuation. In usual circumstances, Target also undertakes regular site visits, at least every six months, on the properties that its clients own.
Outcome:	During the year ended 31 December 2024, Target has primarily engaged with tenants in relation to seven matters: • Tenant dinner: an annual event which was held in early October 2024 to bring together tenants with other stakeholders across the care sector. The agenda and speakers each year are selected to reflect current issues or areas of interest, with this year's event covering sector insight, in particular highlighting the economic outlook for the UK focussing on those matters impacting care home operators; recent themes and challenges in relation to the regulatory oversight of the care sector; and a general overview of the general market conditions and political environment for care home operators. • The re-tenanting of two properties relating to two separate tenants to improve future financial performance of those assets at the same time as ensuring consistency for those living and working in those care homes (see Principle 1: case study 4 for detail on one of these transactions). • Significant investment in existing assets in order to improve the quality of the real estate and enhance / protect value for our clients; including the completion of a refurbishment of a property to improve the amenities and environmental performance of the home; and retrofitting 34 wet rooms across two separate homes to improve the environment for the elderly residents living in those care homes (see Principle 1: case study 5 for detail on one of these refurbishments).

	• Agreement of performance payments totalling £1.9 million across two homes, resulting in an increase in rent receivable by the client at a yield consistent with the initial investment thesis for each home and efficient capital management for the relevant tenants. • Completion of seven new leases, including the introduction of two new tenants to client portfolios, following the completion of forward fund developments. • Included green clauses on a number of leases through negotiation with existing tenants and made further progress on the collection of environmental performance related data from tenants in order to enhance and improve the ESG reporting for clients. • Worked with prospective suppliers and stakeholders to offer tenants the opportunity to make practical improvements to improve the energy efficiency of the buildings and reduce their operational carbon emissions, facilitating the installation of photovoltaic panels at six homes during the calendar year. As mentioned in Principle 4, it is anticipated that during the forthcoming year Target will further engage with tenants in relation to potential ESG improvements to its clients' property portfolios. Such improvements may be both beneficial to Target's clients and the tenants of the properties, whilst also having benefits for society as a whole from improved energy efficiency and/or the resultant reduction in net carbon emissions.

Principle 10: Engagement	
Principle:	**Signatories, where necessary, participate in collaborative engagement to influence issuers.**
Activity:	As an investor in direct property, it is unlikely that there will be joint ownership of any of the underlying assets and therefore collaborative engagement is likely to be limited. The investments do not carry voting rights in relation to the activities of the tenants. However, where a single tenant operator operates multiple homes, with different owners, it is possible that Target may work in collaborative engagement with other landlords, within the constraints of a landlord/tenant relationship, in order to influence the tenant's behaviour or support the resolution of an issue faced by the tenant.
Outcome:	There has been no significant collaborative engagement in relation to the year ended 31 December 2024.

Principle 11: Engagement	
Principle:	**Signatories, where necessary, escalate stewardship activities to influence issuers.**
Activity:	As an investor in direct property, it is unlikely that escalation of stewardship activities to influence issuers will be necessary beyond the asset management already detailed under Principles 7 and 9. The investments do not carry voting rights in relation to the activities of the tenants. However, Target will aim to ensure that it is always engaging with employees at an appropriate level of the tenant operators; whether this be the care home management, head office personnel or senior employees/directors.
Outcome:	There have been no escalated stewardship activities in the year ended 31 December 2024 other than the matters disclosed in Principle 9.

Principle 12: Exercising Rights and Responsibilities	
Principle:	**Signatories actively exercise their rights and responsibilities.**
Context:	As an investor in direct property, the investments held do not carry voting rights. The asset management activities in relation to direct property investments are set out in Principles 7 and 9. Given the nature of the properties held, which each have a single tenant and a long-term operational lease, property AGM's are not applicable. Although it is acknowledged that it is not directly related to this Principle, where Target acts as Company Secretary to a listed company, it will ensure that to the extent possible, best practice recommendations, such as the views of proxy advisory companies or other relevant bodies, for instance the Pre-Emption Group, are taken into consideration in any resolutions drafted for its clients. Target, along with the relevant client's Board and other advisers, will look to actively engage with investors in relation to any concerns they raise in relation to the relevant client's activities or proposed resolutions, to the extent they fall within Target's authority to so do.
Activity:	Not applicable for direct property investments.
Outcome:	Not applicable for direct property investments.