

CareTrust REIT, Inc.

TENANT CODE OF CONDUCT AND CORPORATE RESPONSIBILITY

Adopted January 31, 2020



CareTrust REIT, Inc. (together with its controlled subsidiaries, "CareTrust" or the "Company") is committed to implementing environmentally sustainable best practices for our own operations, and to encouraging, incentivizing and assisting our triple-net healthcare and seniors housing tenants in their efforts to address environmental opportunities and challenges in the properties they lease from us. We are similarly committed to meeting and where possible exceeding basic standards of corporate social responsibility and governance, and to encouraging our tenants to do so.

Our principal policies and programs relating to corporate responsibility, operational transparency and fair and ethical business conduct and other policies are available on CareTrust's website at www.investor.CareTrustREIT.com/corporate-governance. The development and ongoing maintenance of these policies and related programs is a Company-wide effort overseen by (i) our Board of Directors through its Sustainability & Corporate Responsibility Committee, (ii) our internal Environmental, Social & Governance Committee, which is made up of a representative group of employees from across the Company, and (iii) management.

This Tenant Code of Conduct and Corporate Responsibility (the "Code") and the related Tenant ESG Program (the "Program") are key components of our comprehensive **enterprise-level environmental policy and programs**. It is also designed to address significant portions of our own **corporate social responsibility initiatives**, and to assist our triple-net tenants in establishing their own, and in maintaining, renovating, developing and operating their facilities in a manner consistent with generally-accepted standards of sound governance and CareTrust's multi-pronged corporate responsibility initiative.

THIRD-PARTY OPERATED PROPERTIES

We are a healthcare-focused real estate investment trust, and our assets are an integral part of the overall healthcare continuum in the communities we serve. Because we are a triple-net landlord, our third-party operators have full possession, control and operational responsibility with respect to our real estate on a day-to-day basis. As such, we are generally unable to mandate specific environmental and sustainability changes in these properties. Nor do we control their human capital policies, corporate culture or business philosophies and practices. To address these hurdles where possible, we have established this Tenant Code of Conduct and Corporate Responsibility and its related Tenant ESG Program.

We believe this Code and Program are together the first of their kind for a fully-triple-net, non-SHOP, non-RIDEA REIT. We have crafted them with an eye to creating a model that can help us and other triple-net landlords create a new kind of responsible partnership between landlords and tenants. In our case, we believe that this partnership approach will meaningfully enhance our relationships with the healthcare providers that occupy and operate our properties, and actually distinguish us as a more attractive capital partner than other sources to which they might look for real estate financing.

Contractual Obligations

All of our triple-net tenants are contractually bound to preserve and maintain our properties in good working order and repair. Compliance with this requirement alone, in many cases, produces improvements in the environmental performance of our properties and reduces energy usage, water usage and direct and indirect greenhouse gas ("GHG") emissions. Our leases also contractually require our

tenants to set aside and spend appropriate amounts for maintenance and capital improvements at our properties. We routinely monitor and enforce these contractual requirements through the efforts of our own asset management personnel, as well as the use of independent third-party inspectors who evaluate each of our properties at least biannually for compliance and generate corrective repair and replacement recommendations as needed.

Voluntary Efforts

This Code and the related Program create mutually-beneficial economic arrangements between us and those of our tenants who choose to embrace their ideals and objectives. It identifies key areas of risk and opportunity for improvement in our facilities. They help us and our participating triple-net tenants to align our respective priorities within our physical plants by providing economic incentives for our tenants to make *cooperatively* the kinds of positive environmental changes in our properties that other landlords who have full or partial control over their properties can make *unilaterally*.

ENVIRONMENTAL RISKS AND OPPORTUNITIES

Philosophy and Approach

We believe that environmental sustainability is an important part of our shared commitment to helping people live and age well. Using resources more efficiently and avoiding practices in our corporate offices and our net-leased properties that carry unnecessary environmental risks are key to this commitment. Environmental factors have become a routine part of our underwriting and asset management functions, as well as our daily vocabulary. Through sustainable practices and tenant education, support and incentives, the Company is taking action to reduce our impact and the impact of our properties and those who use them on the environment.

Budgetary Concerns

While sustainable building improvements can cost more than traditional methods and materials, they are an investment in the future. Not all “green” initiatives cost more, but where they do the excess costs (and often more) may be recouped over time via lower energy bills, reduced water usage costs and the like. CareTrust’s Tenant ESG Program takes into consideration many factors, including up-front costs and long-term operating expense savings, when helping participating tenants make sustainable building choices.

Greenhouse Gas Emission Reductions

Commercial buildings are a significant contributor to GHG emissions, due largely to their continuing reliance on natural gas and oil-fired environmental and water heating systems. GHG emissions can be reduced in a variety of ways, including electrification, which involves phasing out and replacing oil- and gas-fired systems, such as boilers and furnaces with higher efficiency electric technologies such as air-source heat pumps and heat pump water heaters, carpooling and other initiatives.

Energy & System Efficiency

Sound building and renovation practices that increase insulation values and take advantage of natural heating and cooling properties can greatly improve environmental comfort levels within our buildings, while simultaneously reducing heating and cooling costs, energy usage and direct and indirect GHG emissions.

Healthy Indoor Environmental Quality

High-efficiency HVAC systems also offer both sustainability and economic advantages, often producing operating expense savings as compared to existing equipment. In addition, these systems tend to provide better indoor air quality, a significant benefit for the often-frail elderly that are treated or reside in our properties. Even equipment that has not yet reached the end of its economic life may be a candidate for replacement when a full cost-benefit analysis is considered. CareTrust is committed to assisting participating tenants with such analyses, and provides incentives for upgrades and replacements that can improve the cost-benefit equation and accelerate change.

Renewable Energy

Our Tenant ESG Program encourages participating tenants to explore renewable energy installation options that work with their structure and budget. Environmentally friendly and energy-efficient solar panels, wind turbines, solar water heating and ground-source or geothermal heat pumps are all viable options for new construction and renovation projects. Where available, tenants can avoid the front-end infrastructure cost of setting up their own renewable energy generation systems by purchasing their electricity through contracts that guarantee that all or a significant portion of their electrical usage will be provided from renewable sources.

Green Building Materials

Green building materials, most of which are sustainability certified and qualify for LEED points, can improve indoor air quality, eliminate toxic chemicals and create a healthier building. Specifying recycled and low-impact building materials during the planning stages of a project allows design and construction professionals to provide realistic alternatives and options for sustainability over a building's life. In addition, we encourage the use of locally-sourced building materials wherever possible, to reduce the cost and environmental impact of transportation to our sites.

Water Management & Efficiency

Public water is a valuable and costly resource. Poorly-maintained cooling towers, older plumbing fixtures and leaking landscape irrigation systems are significant sources of water waste, to name a few. Our Tenant ESG Program encourages participating tenants to pursue options for reducing municipal water demand. Actively monitoring water use and effectively educating facility staff, building occupants, employees, and visitors about water use and water management planning goals are key components of properly managing and reducing facility water use. New water-efficient technologies and better water-saving practices can significantly reduce not only water but also energy use. For example, ENERGY STAR® qualified dishwashers, ice machines, and steam cookers are at least 10 percent more water efficient and 15 percent more energy efficient than standard models, with some models saving significantly more.

Waste Management & Reduction

Composting, recycling and other measures can similarly reduce the waste stream coming from our properties to landfills.

Building Orientation aka Sustainable Siting

For new construction, building placement is a critical component in sustainable architecture that can harness the benefits of the building's environment and naturally reduce energy consumption. CareTrust encourages and expects tenants to analyze both new construction and additions to existing properties for the most intelligent building location and the best fit within the constraints of the site.

Preservation and Adaptive Reuse

Whether or not they are of historical significance, preservation of existing buildings is the most effective way to realize truly sustainable architecture. Skilled nursing providers in particular are generally well-attuned to the need to preserve, update and give their buildings new life periodically. CareTrust takes a collaborative approach to upgrading older structures, providing financing and subsidies to help participating tenants realize their vision in sustainable ways.¹

New Development Opportunities and Incentives

While CareTrust is firmly committed to the preservation and adaptive reuse of existing structures, where necessary or desirable we support the design and construction of new structures that respect the land, minimize their impact on the environment, and affirm our longstanding commitment to helping people live and age well through, among other things, principles of sustainable design.

SUSTAINABILITY INCENTIVES

CareTrust Tenants who wish to participate in the Tenant ESG Program can receive subsidies and other incentives to facilitate environmentally sound improvements to our properties. A listing of these incentives is available to tenants who agree to participate in the Program and will be added as **Appendix A** hereto for participating tenants. This listing is not exhaustive, and participating tenants who believe that other measures not addressed therein could achieve the Program's objectives are encouraged to make their own proposals to CareTrust for incentive consideration.

Appendix A hereto is proprietary to CareTrust REIT and is strictly confidential. It is not published to the Company's website and is only distributed to participating tenants. No unauthorized publication or dissemination thereof is permitted.

All incentives and subsidies are in our sole discretion. CareTrust reserves the right to determine what qualifies for an incentive subsidy, as well as the amount or other landlord support for which it qualifies. To qualify, participating tenants must become signatories to the Program, use commercially reasonable efforts to continuously meet or exceed the Conditions of Participation set forth below, and must not be in default under their leases. All renovations, upgrades, replacements and new construction must meet all applicable codes and regulations, and be performed in a good and workmanlike manner and to CareTrust's satisfaction.

SOCIAL RESPONSIBILITY STANDARDS AND OBJECTIVES

As a capital supplier to the healthcare industry, we at CareTrust are using our influence to bring awareness to human issues, improve working conditions and promote the ethical treatment of employees and all people wherever our activities and influence can be felt. We believe that the creation of an engaging and mutually supportive corporate culture that celebrates the value and contributions of all stakeholders is core to our long-term success, and to the success of our tenants.

As a healthcare-focused real estate investment trust, our assets are an integral part of the overall healthcare continuum in the communities that we and our tenants serve. As an extension of our

¹ Sample resources: <https://archive.epa.gov/greenbuilding/web/html/>
https://en.wikipedia.org/wiki/Green_building

commitment to the many people who contribute to our success, the Company encourages our tenants to create supportive and desirable workplace cultures in our properties.

Eligibility to participate in CareTrust's Tenant ESG Program is conditioned upon our participating tenants voluntarily adopting certain workplace standards, and proactively honoring those standards.

Conditions of Participation

Functioning Compliance Program – Participating skilled nursing tenants must have a functioning written Compliance Program that meets or exceeds the minimum standards set by CMS “safe harbor” rules. In addition, they must have an active designated compliance officer, a system for periodic compliance audits, and an active whistleblower hotline or similar mechanism to allow anonymous reporting of possible compliance violations.

Code of Business Conduct and Ethics – Participating tenants must have a written Code of Business Conduct and Ethics which requires all employees to abide by their policies, is updated and provided to all employees annually, and which employees confirm in writing that they have read and understood.

Commitment to Diversity: Participating tenants must provide employment based on a person's experience, work ethic and demonstrated ability, and not personal characteristics; maintain a workplace free of unlawful discrimination, which includes race, gender, marital status, age, color, religion, national origin, disability, veteran status, sexual orientation, or any other characteristic or status protected by law; and treat employees and patients/residents with respect and dignity.

Compensation & Benefits: Participating tenants must provide compensation at competitive rates for the markets in which their employees work, as well as a competitive benefits program including medical, dental and other benefits for employees and their families, and comply with all applicable wage and compensation requirements under applicable labor laws for regular work, overtime, maximum hours, piece rates, and other elements of compensation and employee benefits.

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

Training and Education: Participating tenants should provide or facilitate opportunities for employees to keep their skills current and to adapt to new responsibilities and emerging market needs.

Employee Engagement: Participating tenants will acknowledge that all employees have a vested interest in the operation of their workplace, and thus deserve a voice in developing its culture, processes and atmosphere, and provide regular opportunities for them to do so.

Volunteerism & Philanthropic Support: Participating tenants should be fully engaged in their local communities, including supporting charitable organizations that touch the healthcare industry and its stakeholders, and should support their employees in their individual and collective philanthropic efforts.

RESPONSIBILITIES & ACKNOWLEDGEMENTS

The implementation and continuing development of our environmental policies and programs is overseen by our Environmental, Social, and Governance Steering Committee (the “ESG Committee”). The ESG Committee is comprised of individuals from across the organization, including representatives of senior

management, Underwriting, Asset Management, Accounting and Construction. Our board of directors routinely monitors and weighs in on the progress of our environmental policies, programs and disclosures.

As real estate owners and investors, we recognize the potential physical risk to our assets and tenants associated with climate change and other environmental risks. We also acknowledge the interests of our investors, our employees, the communities in which our properties operate, and other stakeholders in our efforts to address these issues, risks and opportunities. While the ESG Committee oversees the development and implementation of our environmental programs, senior management is ultimately responsible for our progress on environmental and sustainability matters, and their annual incentive compensation is based in part on achieving certain environmental objectives each year.

IMPLEMENTATION & GOVERNANCE

CareTrust actively identifies, monitors and addresses risks and opportunities to enhance our environmental and sustainability policies, programs and initiatives.

Management reports to the board of directors on a quarterly basis, addressing policy and disclosure changes in the quarter, including climate-related and other environmental risks, opportunities and activities. We also report to shareholders periodically on our performance with respect to this Tenant ESG Program, our Sustainability Policy and our environmental and sustainability practices in our annual Sustainability and Governance Report. Participating tenants agree that they, the CareTrust properties they operate and/or the projects they undertake may be publicized by CareTrust.

Violations or other misconduct related to this Tenant Code of Conduct and Corporate Responsibility and the related Tenant ESG Program should be promptly reported to CareTrust's executive management, legal department, or via the CareTrust whistleblower hotline, at 877-215-9778. Employees, Vendors or Tenants who have questions or concerns regarding this Sustainability Policy can seek guidance via the same sources.

NO RIGHTS CREATED

This Tenant Code of Conduct and Corporate Responsibility Program, as well as our Policy on Human Capital, our Vendor Code of Conduct, our Tenant Code of Conduct and Corporate Responsibility Program, our Tenant ESG Program, our Code of Business Conduct & Ethics and any other Company policy or program in effect from time to time (all of which are incorporated herein by this reference and referred to collectively herein as the "CareTrust Policies") are not a contract and do not, in any way, constitute an offer or a guarantee of continuing Company policy. We reserve the right to amend, supplement or discontinue this Tenant ESG Program and the matters addressed herein and any or all of the other CareTrust Policies without prior notice, at any time. The CareTrust Policies are not intended to and do not create any rights in any employee, director, tenant, customer, supplier, competitor, stockholder or any other person or entity.

INPUT WELCOME

CareTrust acknowledges that the field of environmental corporate responsibility is a dynamic and growing area of widespread interest, and we welcome input and ideas regarding environmental risks and opportunities from stakeholders. Stakeholders who have questions or suggestions are invited to contact Jason Rodgers, the Chairman of our Sustainability Committee, at jrodgers@caretrustreit.com. 

TENANT ACKNOWLEDGMENT

On behalf of the Tenant named below, I have received and read the Tenant Code of Conduct and Corporate Responsibility of CareTrust REIT, Inc., and I understand its contents and the expectations for CareTrust tenants as set forth therein. I also acknowledge that the Tenant has been offered the opportunity to participate in CareTrust's unique Tenant ESG Program, subject to the Tenant's willingness to substantially comply with the Conditions of Participation set forth in the foregoing Tenant Code of Conduct and Corporate Responsibility. I hereby certify that the Tenant (check the box that applies):

- Desires to participate in the Tenant ESG Program and agrees to abide by the Conditions of Participation set forth in the CareTrust Tenant Code of Conduct and Corporate Responsibility;
- Has waived for now the opportunity to participate in the Tenant ESG Program, but acknowledges that the Tenant may at any time, upon certifying its willingness to abide by the Conditions of Participation set forth in the CareTrust Tenant Code of Conduct and Corporate Responsibility, become a participant and obtain the benefits thereof;

Further, on behalf of the Tenant named below, I acknowledge that (i) CareTrust's Tenant Code of Conduct and Corporate Responsibility is a statement of policies for business conduct, and (ii) the related Tenant ESG Program is a voluntary incentive program, (iii) neither the Code nor the Program, in any way, constitute a contract or an assurance of a continuing landlord/tenant or other relationship, and neither the Code nor the Program modifies, alters or supersedes the lease(s) between the above-named Tenant or its affiliates and CareTrust REIT, Inc. or its affiliates, or create any rights in addition thereto.

TENANT:

Name: _____

By: _____

Printed Name: _____

Its: _____

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APPENDIX A
PARTICIPATING TENANT INCENTIVES

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