

CareTrust REIT, Inc.

ENVIRONMENTAL SUSTAINABILITY POLICY

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.

Our principal policies and programs relating to corporate responsibility, operational transparency and fair and ethical business conduct, including our unique Tenant Code of Conduct & Corporate Responsibility Program and other policies, are available on the Investors section of 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) 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.

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

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

GOVERNANCE & OVERSIGHT

This Sustainability Policy is the centerpiece of the environmental component of CareTrust’s multi-pronged corporate responsibility initiative. It serves as our enterprise-level environmental policy. Its development and administration, as well as the ongoing development and administration of our closely-related Tenant Code of Conduct & Corporate Responsibility Program, are overseen by an internal **Environmental, Social & Governance Committee** (the “ESG Committee”).

Environmental, Social & Governance Committee

The ESG Committee is an internal, multi-disciplinary body formed to support the Company’s on-going commitment to environmental, health and safety, corporate social responsibility, corporate governance, sustainability and other public policy matters relevant to the Company. The ESG Committee is made up of representatives from departments across the Company, including Underwriting, Asset Management, Accounting and Construction.

Board of Directors

In addition, our Board of Directors has formed a **Sustainability & Corporate Responsibility Committee** to (i) to fulfill the Board’s responsibility to set the direction for the Company’s performance as a sustainable and responsible organization, (ii) to assist the Compensation Committee in setting and administering any

sustainability and corporate responsibility components of the Company's executive incentive compensation plans, and (iii) to assist the Board in fulfilling its enterprise risk oversight responsibility by periodically assessing and recommending appropriate responses to risks relating to matters within the Committee's purview.

The charters of these committees explain their roles and responsibilities in more detail. They can be accessed in the Investors section of the Company website, as noted above.

INTERNAL INITIATIVES

Corporate Office Initiatives

At our Corporate Office, we are vigilant in our pursuit of environmentally-sound practices. We work to increase staff awareness of environmental risks and opportunities and reduce our environmental footprint where possible. Our offices are located in an office building that we do not control, and the availability of LEED-certified office space in the area is still very limited. We have, however, engaged in several initiatives aimed at fostering sustainable practices. For example:

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

¹ Estimated using the EPA's 2014 "Greenhouse Gas Emissions from a Typical Passenger Vehicle" fact sheet, EPA-420-F-14-040

While we do not control building systems, common areas or overall design at our offices, we do control certain aspects of our own office space and its function. Therefore, as we undergo an anticipated expansion and partial renovation, we intend to incorporate products and designs into our space that will reduce our environmental footprint.

THIRD-PARTY OPERATED PROPERTIES

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. To address this hurdle, we have (i) contractually required each tenant to meet or exceed certain thresholds of annual expenditures on maintenance and capital improvement projects, and (ii) established a unique program called our **Tenant Code of Conduct & Corporate Responsibility** (our “Tenant ESG Program”).

Contractual Requirements & Enforcement

All of our triple-net tenants are contractually bound to preserve and maintain our properties in good working order and repair, and to meet or exceed certain thresholds of annual expenditures on capital improvement projects within our properties. 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.

We routinely monitor and enforce these contractual requirements through the efforts of our own asset management personnel, as well as through independent third-party inspectors who evaluate each of our properties at least biannually for compliance and generate corrective repair and replacement recommendations as needed. We require that these corrections and replacements comply with local building codes, which often results in the incorporation of sustainable improvements into our properties.

Incentivizing Voluntary Compliance by Triple-Net Tenants

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

Our Tenant ESG Program addresses these goals by creating mutually-beneficial economic arrangements between us our participating triple-net tenants who choose to embrace its ideals and objectives. It identifies key areas of risk and opportunity for improvement in our properties. It helps us and our participating tenants align our respective priorities within our physical plants by providing economic incentives for our tenants to make *cooperatively* the kinds of positive environmental changes in our properties that other landlords who have full or partial control over their properties can make *unilaterally*.

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

RESPONSIBILITIES & ACKNOWLEDGEMENTS

The implementation and continuing development of our environmental policies and programs is overseen by our internal ESG Committee. In addition, 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 & REPORTING

CareTrust actively identifies, monitors and addresses risks and opportunities to enhance our environmental and sustainability policies, programs and initiatives. We also encourage and expect the adoption of these philosophies wherever possible within our sphere of influence, particularly among our Tenants and Vendors. We distribute copies of this Sustainability Policy to our Tenants and Vendors, and we actively incentivize our Tenants to engage in sustainable practices via our unique Tenant Code of Conduct & Corporate Responsibility Program.

Management reports to the board of directors on at least a quarterly basis, addressing policy and disclosure changes in the quarter, including climate-related and other environmental risks, opportunities and activities. We also intend to report to shareholders periodically on our performance with respect to this Sustainability Policy and our environmental and sustainability practices in our annual Sustainability and Governance Report. We have elected to correlate our results and reporting to the **Global Reporting Initiative (GRI) Standards** wherever possible, and to build our reporting practices around the February 2019 **NAREIT Guide to ESG Reporting Frameworks**.

Violations or other misconduct related to our Sustainability Policy 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 Sustainability Policy, together with our other policy statements including our Policy on Human Rights & Responsibilities, our Policy on Human Capital, our Vendor Code of Conduct, our Tenant Code of Conduct & Corporate Responsibility 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") do not, in any way, constitute an employment contract, an assurance of continued employment or a guarantee of continuing Company policy. We reserve the right to amend, supplement or discontinue this Sustainability Policy 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 ESG Committee, at jrodgers@caretrustreit.com. ☎