

CareTrust REIT, Inc.

## POLICY ON HUMAN RIGHTS & RESPONSIBILITIES

Adopted January 31, 2020



CareTrust REIT, Inc. (together with its controlled subsidiaries, “CareTrust” or the “Company”) is committed to corporate responsibility, operational transparency and fair and ethical business conduct, consistent with its Code of Business Conduct and Ethics and related policies, which are available on CareTrust’s website at [www.investor.CareTrustREIT.com/corporate-governance](http://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.

Our commitment to human rights and the ethical treatment of others is embedded in everything we do, and this Policy on Human Rights & Responsibilities is an integral part of our overall commitment to corporate responsibility.

### SCOPE & SPHERE OF INFLUENCE

CareTrust’s board, management and employees are committed to honoring the policies and principles set forth herein in our day-to-day business activities. In addition, as a capital supplier to the healthcare industry, we are using our influence to bring awareness to human issues, improve working conditions and promote the ethical treatment of all people wherever our activities and influence can be felt.

As an extension of this priority, the Company requires its partners, suppliers, and vendors, as well as their employees, agents and subcontractors (collectively “Vendors”) to comply with CareTrust’s Vendor Code of Conduct (the “Vendor Code”), especially but not only in connection with their dealings with CareTrust. The Company also encourages and incentivizes its triple-net Tenants and their respective employees (collectively “Tenants”) to reflect a similar commitment to integrity and corporate responsibility by voluntarily participating in CareTrust’s Tenant Code of Conduct and Corporate Responsibility Program (the “Tenant ESG Program”), and particularly by delivering quality healthcare with respect to the residents and patients they care for and the healthcare workers in their employ who deliver that care.

### HUMAN RIGHTS POLICIES & PRINCIPLES

CareTrust’s Policy on Human Rights & Responsibilities reflects our commitment to the dignity and rights of all people, especially those whose lives may be impacted by our properties and business activities. 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. The principles outlined in this Human Rights Policy relate to and confirm key commitments and principles in our Code of Business Conduct and Ethics and related policies. Our Code of Business Conduct & Ethics is updated and provided to all employees annually, and employees confirm in writing that they have read and understood the Code of Business Conduct & Ethics.

### The Role of Accountability

Any discussion of human rights falls short if it fails to include a reference to the accountability that travels in tandem with those rights. As beneficiaries of laws and regulations securing our own rights, we believe we and others who have similarly benefitted have a responsibility to honor those laws and to encourage others within our sphere of influence to do so. Further, where feasible we acknowledge a responsibility to use such resources and influence as we may have to see that others who do not enjoy similar rights have the opportunity to do so.

### Guiding Principles and Publications

In refining and articulating our Policy on Human Rights & Responsibilities, we have referred to third-party international organizations and publications such as the United Nations' *International Bill of Human Rights*, its *Universal Declaration of Human Rights*,<sup>1</sup> and its *Guiding Principles on Business and Human Rights*,<sup>2</sup> and the International Labor Organization's (ILO) 1998 *Declaration on Fundamental Principles and Rights at Work*. We are committed to respecting these and all internationally-recognized human rights standards. However, our Policy on Human Rights & Responsibilities reflects our own self-formulated principles and standards on these subjects, rather than those of any third party or group.

### Action

CareTrust has adopted and operates under the Human Rights policies set forth herein. CareTrust enforces these policies in our own daily business practices. We also require our Vendors to honor the principles underlying these policies in their business practices pursuant to our Vendor Code. Furthermore, we actually require our Tenants to comply with certain of them under our contractual arrangements with them as outlined below, and we screen all prospective Tenants for compliance with certain of them using our proprietary Operator Scorecard and the accompanying business processes as a screening tool. Finally, we encourage our Tenants to observe these principles in their business activities under our Tenant ESG Program.

### Human Rights Policies

At CareTrust, we adhere to the following Human Rights philosophies and policies:

**Child Labor:** CareTrust prohibits the use of child labor in our business and any business serving ours, in accordance with ILO Convention No. 138 and ILO's related literature.<sup>3</sup>

**Forced Labor:** CareTrust rejects the use of slavery and other forms of forced or coerced labor or servitude, including prison or debt bondage labor, human trafficking, and the lodging of deposits or identity papers by employers or outside recruiters.

**Dignity:** As an integral part of the overall healthcare continuum, our assets house some of the most frail, most vulnerable and most needy in the communities they serve. CareTrust is committed to using its influence to ensure that these assets and the Tenants who operate them meet at least minimum standards of safety and care, in order to facilitate preserving the basic dignity of each resident and patient they serve, and each employee providing that service. Among other things, we require that our skilled nursing operator Tenants, who account for roughly 80% of our rental income, have in place a

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<sup>1</sup> <https://www.un.org/en/universal-declaration-human-rights/index.html>

<sup>2</sup> [https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

<sup>3</sup> [https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:C138](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138)

formal written internal compliance program, with (ii) a designated compliance officer overseeing and enforcing it, to promote the delivery of quality care and the preservation of patient and resident dignity.

**Occupational Health and Safety:** CareTrust recognizes the importance of the health, safety and environmental well-being of our employees and communities, and is committed to safeguarding these objectives. We believe that health, safety and environmental goals can, and should, be consistent with the economic health of our Company. We will provide and maintain a safe and healthy work environment for our employees at all facilities and encourage open discussion with them of their health, safety and environmental concerns. A safe and healthy environment includes access to clean sanitary facilities and drinking water as a fundamental human right. We also contractually require our triple-net Tenants to operate our facilities in compliance with applicable health and safety laws, ordinances and regulations. As the facilities we own and our Tenants operate are mostly residential or inpatient health care facilities, the health and safety laws, ordinances and regulations governing their use and operation, and with which we require them to comply, generally exceed acceptable levels of health and safety for the typical workplace.

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

**Discipline:** CareTrust forbids any form of corporal punishment, mental or physical coercion, or verbal abuse.

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

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

### **TENANTS: 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 human capital policies, corporate culture or business philosophies and practices in these properties. To address these hurdles where possible, we have established our Tenant ESG Program, which provides both resources and monetary incentives for our Tenants to engage in responsible corporate behaviors.

### **Contractual Rights and Obligations; Enforcement**

We do, however, have a legitimate business interest in the quality of care that our Tenants deliver in our facilities. As such, we routinely include provisions in our leases which require our Tenants to keep us informed regarding significant regulatory lapses that may occur in the Tenant's operations within our properties, and which classify certain significant problems potential events of default. For example, our triple-net skilled nursing Tenants are contractually required to promptly report to us the receipt of a deficiency on any state or federal healthcare regulatory survey with a scope and severity of "G" (Actual Harm, Isolated) or higher on the Centers for Medicare & Medicaid Services' ("CMS") Scope and Severity Matrix.<sup>4</sup> Furthermore, repeated significant deficiencies which are not timely cured can become grounds for declaring an event of default and exercising landlord remedies under our leases, up to and including lease termination. Using publicly available information from CMS, we periodically audit our skilled nursing Tenants' compliance with surveyed regulatory standards and the reporting requirements of our leases.

### **Monitoring & Data Collection**

We routinely monitor our Tenants using technologically advanced tools that track and evaluate key quality metrics over time. For example, our PointRight system allows us to see both allegations of patient abuse and substantiated allegations of patient abuse for each skilled nursing Tenant. We use this data to (i) determine compliance with Tenant reporting and remediation obligations under our leases, (ii) to inform our decision-making processes relative to initiating, continuing or expanding our relationships with certain current and prospective Tenants, and (iii) to highlight issues and encourage improved clinical performance where indicated. The PointRight data also tracks patient referral patterns in our Tenants' markets, providing us with a window into customer satisfaction with our Tenants' operations.

### **Cooperation & Support**

While we are committed to monitoring and working cooperatively with our Tenants who are charged with regulatory violations or deficiencies while they work to cure such deficiencies and improve overall care delivery, we take seriously the injury that can occur to both the affected patients or residents and the reputation and value of our assets from unaddressed or inadequately-addressed healthcare regulatory concerns. We believe that this partnership approach meaningfully enhances our relationships with the healthcare providers that occupy and operate our properties, expands our overall influence for good with them, and can actually distinguish us as a more attractive capital partner than other sources to which they might look for real estate financing.

### **VENDORS: COMPLIANCE WITH CARETRUST'S VENDOR CODE**

The Vendor Code is a general statement of ethical responsibility and requirements. It is designed to exert our influence in promoting support for recognized human rights, and to ensure wherever possible that we avoid complicity in human rights abuses. Although Vendors are expected to self-monitor, they should be able to reasonably demonstrate compliance with the Vendor Code and the provisions of this Policy on Human Rights & Responsibilities, which are incorporated therein by reference, upon the Company's request.

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<sup>4</sup> See, e.g., <https://www.cms.gov/Medicare/Provider-Enrollment-and-Certification/CertificationandCompliance/downloads/usersguide.pdf>

If a Vendor is noncompliant, the Company reserves the right to take appropriate actions, including without limitation (i) contract termination, (ii) requiring a Vendor to remove from the CareTrust account any Vendor representative who behaves in a manner that is unlawful or incompatible with this Vendor Code, and (iii) any other action or remedy that CareTrust deems necessary or appropriate in its sole discretion to discourage such noncompliance and disassociate itself therefrom.

### **IMPLEMENTATION AND GOVERNANCE**

CareTrust will actively identify, monitor and address human rights risks and issues arising within our sphere of influence. We will continue to screen prospective Tenants for quality care practices and a commitment to honor internationally recognized human rights, and to monitor current Tenants for compliance with our Policy on Human Rights & Responsibilities and the minimum standard regulatory care requirements of our lease arrangements with them. We will also distribute this Policy to our Tenants and Vendors, along with our Tenant ESG Code and our Vendor Code.

We will report periodically on our performance with respect to human rights issues and this Policy on Human Rights & Responsibilities in our annual Sustainability and Governance Report. Violations or other misconduct related to our Policy on Human Rights & Responsibilities 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 Policy can seek guidance via the same sources.

### **NO RIGHTS CREATED**

This Policy on Human Rights & Responsibilities, together with our other policy statements including our Policy on Human Capital, our Sustainability Policy, our Vendor Code of Conduct, our Tenant Code of Conduct and 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 Policy on Human Rights & Responsibilities, 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. ☹