

# INVESTING FOR THE FUTURE

Primary Health Properties PLC  
Responsible Business 2021



Ionad C  
Baile At  
Athy  
Primary



McCAULEY

PRIVATE PROPERTY  
Access Without  
Prior  
Permission  
is Unauthorised

# PHP'S NET ZERO CARBON FRAMEWORK

As one of the leading investors and developers of flexible, modern primary healthcare accommodation across the UK and Ireland, PHP is committed to transitioning to NZC across its operations and property portfolio. We have set out below the five key steps to achieve an ambitious target of being NZC by 2030 for all of PHP's operational, development and asset management activities and to help our occupiers achieve NZC by 2040 five years ahead of the NHS's target of becoming the world's first net zero carbon national health system by 2045 and ten years ahead of the UK and Irish Governments' targets of 2050.



1

## Operations to be net zero by 2023

- Assets where we have control and management will be NZC by 2023 with all residual carbon offset through carefully selected projects which actively take carbon out of the atmosphere.
- Procuring 100% renewable electricity where available and PHP controls the supply.
- Continued reductions in the carbon footprint of all management and head office activities with residual emissions offset annually.

3

## All properties to have an EPC rating of B or better and target improved energy performance

- Across the portfolio all properties to have an EPC rating of B or better or are capable of achieving this when next refurbished.
- Through our asset and property management activities, review and continually reduce energy use intensity (kWh/m<sup>2</sup>) of our buildings through upgrades to building fabric and systems replacing and improving energy consuming features with technologies exhibiting high energy performance credentials.
- Offset the remaining carbon from our asset management activities including embodied carbon of materials and fossil fuel energy consumed during construction.
- Collect and communicate energy performance data for all our occupiers, including Display Energy Certificates ("DEC"), and help them to transition to renewable electricity supplies and operate our buildings in the most energy efficient way.

2

## All new developments to be net zero by 2025

- Reduce carbon emissions associated with our development activities.
- Benchmark embodied carbon and undertake whole life carbon assessment for all new developments.
- Align developments to supply chains that target minimising embodied carbon and provide low carbon materials.
- Offset the remaining carbon from our development activities including embodied carbon of materials and fossil fuel energy consumed during construction.
- Continually review and embed NZC aligned operational and embodied carbon performance targets in future designs.

4

## All buildings to have achieved an 80% reduction in carbon footprint

- Continued energy demand reduction through upgrade and refurbishment.
- Increase the amount of renewable electricity we generate on our sites such as solar and other renewables.
- For existing properties that have gas heating we will replace these systems with electric, heat pumps or other renewable alternatives.

5

## All buildings to be net zero by 2040

- Help occupiers to lease and operate our buildings to achieve a NZC footprint in operation.
- Offset any remaining occupier residual carbon from 2040 for all properties where the lease was signed or renewed after 2035.
- NZC achieved five years ahead of the NHS's target of 2045 and ten years ahead of the UK and Irish Governments' targets of 2050.

# RESPONSIBLE BUSINESS AND ESG REVIEW

## PREMISES, HEALTH AND PEOPLE: INVESTING IN THE HEALTH AND WELLBEING OF OUR COMMUNITIES



**Laure Duhot**

Chair of the Environmental, Social and Governance Committee

### Dear shareholder,

I am pleased to present my second report as Chair of the PHP Environmental, Social and Governance ("ESG") Committee. The Board agreed to create the Committee as a full Board Committee in October 2020 to drive forward the Group's ESG agenda. These are important topics and it is believed that having a Committee dedicated to consider these matters will give greater impetus to our initiatives in this area, some of which are described on the following pages of this report.

### Members of the ESG Committee during the year (the "Committee")

Member	Number of meetings and attendance while in post
Laure Duhot (Chair)	3 (3)
Peter Cole	3 (3)
Harry Hyman	3 (3)
Richard Howell	3 (3)
Ian Krieger	3 (3)
Steven Owen	3 (3)
Chris Santer	3 (3)

Bracketed numbers indicate the number of meetings the member was eligible to attend in 2021.

The Company Secretary acts as the secretary to the Committee and attends all the meetings.

Members of the senior leadership team, including Michelle Whitfield – Director: Operations & Sustainability, David Austin – Director: Asset Management, David Bateman, Director: Investment, Tony Coke – Director: Developments, and James Young – Director: Property Management are invited to attend meetings as appropriate.

I am pleased that we have published for the first time our Net Zero Carbon ("NZC") Framework and the five key steps we are taking to achieve this, which are set out in more detail on page 1.

As part of this important priority area Jesse Putzel has recently joined the Company as Director, ESG to help lead the ESG agenda, develop and implement a comprehensive strategy with all our stakeholders in mind, and launch new initiatives. We also engaged the Carbon Trust during the year to benchmark our ESG activities, reporting and assist with our Task Force on Climate-related Financial Disclosures, set out on page 17.

I am delighted that we have launched the pilot for PHP's social impact initiative which focusses on social prescribing, an area where much can be achieved to improve health and wellbeing in the community and compliment primary care provided in our properties.

I trust you find this report of the Committee helpful and informative. I would be delighted to receive any feedback or comments you may have on our approach.

**Laure Duhot**

Chair of the ESG Committee

15 February 2022

# BEING RESPONSIBLE



"PHP's Net Zero Carbon ("NZC") Framework demonstrates the Group's commitment to ensuring Responsible Business and sustainability are at the heart of our investment, development, asset management and corporate activities while making it easier for GP, HS and HSE occupiers to deliver effective services and to meet their own NZC targets."

## INTRODUCTION

PHP invests in flexible, modern properties for the delivery of primary healthcare to the communities they are located in. The buildings are let on long term leases where the NHS, HSE, GPs and other healthcare operators are our principal occupiers. As at 31 December 2021, the Group owned 521 properties valued at £2.8 billion which are located across the UK and Ireland.

Responsible Business reflects PHP's strong commitment to ESG matters and addresses the key areas of the ESG issues that are embedded into our investment, asset management, development and corporate activities. We are committed to acting responsibly, having a positive impact on our communities, improving our Responsible Business disclosures, mitigating sustainability risks and capturing environmental opportunities for the benefit of our stakeholders.

We realise the importance of our assets for the local healthcare community, making it easier for our GP, NHS and HSE occupiers to deliver effective services. We are committed to creating great primary care centres by focusing on the future needs of our occupiers and thereby ensuring we are creating long term sustainable buildings.

In October 2020, the NHS adopted a multi-year plan to become the world's first net zero carbon national health system by 2045 and with an ambition for an interim 80% reduction by 2036-2039. PHP is committed to helping the NHS achieve this target and has now set out its own Net Zero Carbon Framework, a five-stage plan that will transition the Company's portfolio to net zero on or before this deadline and ahead of the UK and Irish Governments net zero target date of 2050. PHP will continue to pro-actively engage and work with our various healthcare occupiers to also help them achieve this.

This ESG Report sets out our commitment and approach to Responsible Business, it is reviewed annually, approved by the Board and sets the framework for establishing objectives and targets against which we monitor and report publicly on our performance.

# RESPONSIBLE BUSINESS CONTINUED

## OUR APPROACH







PHP's approach is based around our core activities of investment, asset and property management and development supported by our corporate activities.

PHP supports the 17 UN Sustainable Development Goals ("SDGs") adopted by all United Nation member states in 2015. The SDGs constitute the most pressing ESG challenges that the world needs to solve.

At PHP we focus our efforts on a number of main SDGs and seek to align our overall ESG goals and policies with them.

To achieve this, PHP's ESG Policies are based around three core pillars that run through our activities focused on Premises, Health and People. These are:

### Premises, Health and People

Approach	Purpose	Aims	Focus
<b>Premises – Built Environment</b>			
Investing in and developing sustainable buildings  	To employ sustainable design to develop, refurbish and upgrade our buildings to modern medical and environmental standards	Building a more resilient portfolio for the long term	Reducing risk by building purpose-built new developments and making quality acquisitions  Working with occupiers to improve the energy efficiency of our properties and integrate more sustainable features  Have a preference for reusing existing buildings, upgrading them in an energy and resource efficient way, reducing reliance on new resources  Source responsibly and design for future re-use of assets and materials  All new developments to be NZC by 2025
		Reducing our carbon footprint	Working with our stakeholders to improve the energy efficiency of our properties and integrate more sustainable features with a long term ambition of the whole portfolio, including occupier's operations, being NZC by 2040
		Governing an ethical business	Being transparent and compliant in all our operations
<b>Health – Community Impact</b>			
Engaging and enhancing the right stakeholders to drive effective decision making  	To support initiatives that further the health, wellbeing and education of our local communities	Meeting the healthcare needs of communities	Engaging in effective communications with our occupiers
		Creating social value	Working with partners to enhance wellbeing and inclusivity through initiatives that contribute to the creation of healthy, supportive and thriving communities
<b>People – Responsible Business</b>			
Conducting our business with integrity and investing in human capital  	To create opportunities and maximise the potential of the stakeholders we work with	Providing a good place to work	Ensuring effective investment in the professional development of the Group's employees  Maintaining a culture of empowerment, inclusion, development, openness and teamwork for our people
		Governing an ethical business	Being transparent and compliant in all our operations

# PREMISES – BUILT ENVIRONMENT

Lambgates Health Centre

## RESPONSIBLE INVESTMENT

Environmental and sustainability performance are integral elements of PHP's approach to the acquisition and funding of new medical centres. PHP undertakes a detailed assessment of each location, looking at building efficiency and performance, enhanced service provision for the community and support for wider healthcare infrastructure.

As awareness of climate change risks increase, we are continually reviewing our approach to environmental due diligence and undertake detailed environmental and building surveys to assess environmental risks for each investment, including flooding, to ensure the risk is avoided or appropriate prevention measures are developed and deployed over time.

Energy efficiency is also considered through the due diligence process and all new acquisitions are now required to have an EPC of C or better, or be capable of remedial action to achieve the required rating in due course in which case costs involved are now integrated into the appraisal.



### Responsible asset and property management

We are committed to creating best-in-class primary care centres by focusing on the future needs of our occupiers and thereby ensuring we are creating sustainable buildings for the long term. Our asset and property management policy is to invest in the portfolio of properties to generate enduring occupier and patient appeal, which provide opportunities to improve rental values, the security and longevity of income, including limited risk short-cycle projects to improve the quality of assets. Through these asset and property management initiatives, we also aim to deliver energy efficiencies and source cleaner energy for our occupiers and their patients.

Due to the wide range of lease arrangements across the portfolio, PHP is responsible for energy supply to a limited number of properties. Where PHP is responsible for energy supply for use by occupiers, we are committed to procure only 100% renewable electricity by 2023.

Our newly launched Net Zero Carbon Framework (outlined on page 1) builds on this commitment, setting out our pathway to a net zero carbon portfolio by 2040. Asset and property management will play a key role in achieving this, with interim commitments for all properties to have an EPC rating of at least B and net zero carbon asset management by 2030. An overall 80% reduction in carbon emissions by 2035 will then lead to all assets operating with Net Zero emissions by 2040, ahead of the NHS's commitment of 2045.

This will be achieved through a policy of replacing existing features with technology exhibiting high energy conservation credentials and by assessing, minimising and offsetting residual embodied carbon from asset management projects.



We will also increase the amount of renewable electricity we generate on sites such as solar, heat pumps and other proven technologies. For existing properties that have gas heating we will replace these systems with electric or other renewable alternatives by 2035.

As we work through the portfolio over the coming years, refurbishing properties, it is our goal for every asset that is refurbished to have an EPC of at least B or have been raised by at least two grades and to achieve a BREEAM rating of Very Good (for extensions, conversions and fit outs).

Finally, we will engage, encourage and work with the NHS, HSE and our healthcare occupiers, collecting energy consumption data, including Display Energy Certificates ("DEC") to help them transition to renewable electricity supplies and operate our buildings in the most efficient way. During 2021, we started this process and introduced a Green Memorandum of Understanding to help identify and prioritise the reduction of GHG emissions across the portfolio. We will continue to work with our occupiers regarding their ongoing environmental responsibilities and aim for all new leases entered into to include ESG requirements as standard.

### Responsible development

PHP together with its development partners are committed to promote the highest possible standards of environmental and social sustainability when designing and constructing new assets. As a minimum, it is our commitment that all new build developments in the UK must have a BREEAM rating of at least Excellent and Very Good for fit outs, refurbishments and rural or remote areas.

In Ireland, all new developments are built to a Building Energy Rating of A3, or better, and in accordance with nZEB (nearly Zero Energy Buildings) standards. Requirements are also in place for our development partners and contractors to ensure the implementation of responsible property development practices.

We are about to commence construction of PHP's first two NZC developments in the first quarter of 2022.

As outlined in our new NZC Framework, we're committed to ensuring by 2025, all new developments are net zero carbon. Operational energy and carbon will be minimised as far as possible, alongside on and offsite renewable energy provision.

Embodied carbon will be assessed and minimised and we will work with supply partners who are reducing their carbon impacts and providing low carbon products and materials. Residual carbon impacts will then be offset, via high quality carbon offsets.



## Spilsby Case Study

In common with most parts of the UK and Ireland, patient demand in Spilsby is at an all-time high for both physical, telephone and video appointments. Nationally and locally the NHS is implementing a strategic move of transferring services away from hospital settings to primary care. Combined these drivers mean that NHS Commissioners' and Clinicians' requirement for modern purpose-built space is and will remain very high.

PHP was commissioned to provide a new Primary Healthcare Centre for Spilsby and surrounding the community in Lincolnshire. The existing premises having been deemed as inadequate for the current population which is expected to grow by approximately one-third in the coming years, alongside the increasing demand for services in the area which have been affecting service provision, patient care and outcomes.

The new building will be PHP's first Net Zero Carbon building and one of the first healthcare buildings to achieve this in the UK. This has been achieved by measuring, minimising and offsetting embodied carbon from materials as well as enabling occupiers to operate the building with net zero carbon emissions. The building will also target BREEAM Excellent standards, with high levels of health and wellbeing, low waste and water, responsibly sourced and sustainable materials, bring enhanced ecological features and it will be flexible over its lifetime.

The new centre is being constructed as part of a major residential development and is being let for a 25-year term to both the local NHS Trust and GP partnership allowing patients and the wider Primary Care Network to access a wide range of health and care services from the building including:

- General practice.
- Physiotherapy.
- Mental health assessments and practitioners.
- Occupational therapy.
- Social prescribing.
- Care co-ordination.
- Clinical pharmacy.
- Training for GPs, nurses and paramedics.

## BUILT ENVIRONMENT: TARGETS, ACHIEVEMENTS AND KEY WORKSTREAMS FOR 2022

### 2021 targets

Deliver the first net zero carbon PHP building within five years in the UK and explore the possibility in Ireland.

### Headline achievements from 2021

Designed and due to start on site in first quarter of 2022, PHP's first net zero developments at Lincolnshire and West Sussex.

### Key workstreams for 2022

Build on the experience of first two NZC developments to improve our approach to net zero developments, targeting a further project to commence during 2022.

Develop an action plan and roadmap to achieving the commitments set out in our Net Zero Carbon Framework.

### 2021 targets

All UK forward funded developments to have a BREEAM rating of Excellent.

In Ireland, all new developments to be built to a Building Energy Rating of A3, or better, in accordance with NZEB standards.

### Headline achievements from 2021

In the UK, 100% of developments completed to BREEAM Excellent standards.

In Ireland, 100% of developments completed to a Building Energy Rating of A3.

### Key workstreams for 2022

Strong future pipeline of forward funded developments in the UK and Ireland all being designed to BREEAM Excellent in the UK and NZEB standards in Ireland.

### 2021 targets

Refurbished assets to have an EPC of at least B or have been raised by at least two grades.

### Headline achievements from 2021

In 2021, 8 asset management projects were live and on site all being delivered to a minimum standard of BREEAM Very Good, EPC B and incorporating new LED lighting as a minimum energy improvement requirement.

### Key workstreams for 2022

Strong future pipeline of projects which will improve the current proportion of A-B assets to 31% in 2022.

## 2021 targets

Reduce Scope 1 and 2 GHG emissions by 25% in absolute terms and 40% in intensity terms by 2030.

All buildings to have achieved an 80% reduction in carbon footprint by 2035.

Launch green procurement programme on behalf of our occupiers and set ESG standards for our suppliers and developers.

## Headline achievements from 2021

The 2021 target has been replaced with a target to be net zero carbon for our direct operations by the end of 2023. This will include reducing carbon intensity and offsetting residual emissions.

During 2021, emissions increased compared with 2020 due to a return to travel and office working. However, the switch to 100% renewable electricity supplies is well under way and on course for all to be renewable by the end of 2023.

Green memorandum of understanding ("MOU") issued to a targeted set of tenants, representing 21% of occupiers. The MOU requested sharing of energy data and agreement to ongoing collaboration to improve performance and reduce carbon.

Improved data collection and visibility of energy and carbon performance for the portfolio. Energy and carbon are now reported for properties where PHP supplies energy and a programme of collating and interrogating Display Energy Certificate ("DEC") data has been launched, generating operational energy ratings for 61% of the portfolio.

£300 million of new sustainability linked loan facilities put in place rewarding the Group as we implement ESG initiatives.

## Key workstreams for 2022

Continue to switch electricity supply contracts to 100% renewable energy.

Carbon footprint of assets where we control the supply, management and head office activities to be offset.

Provide guidance and encourage behaviour change amongst our occupiers, developers and suppliers.

Energy audits to be completed before asset management projects are planned in order to identify and fully integrate in each project energy saving opportunities and energy-efficient technology.

Continue to develop our approach to green leases and roll-out of our Green MOU, supported by ongoing engagement by the property management team during inspections and reviews.

Improve visibility of energy and carbon performance across the portfolio, utilising analysis of DEC data and scoping a portfolio wide solution to capture, track and analyse building performance.

## 2021 targets

All acquisitions to have an EPC of no less than C or have a visible route to achieving this when next refurbished.

## Headline achievements from 2021

All acquisitions completed in the year had a minimum EPC rating of C except one which will be capable of being improved when next refurbished with costs involved reflected in under writing.

## Key workstreams for 2022

Target future acquisitions that have strong ESG credentials.

PHP will continue to work with its development partners, occupiers and other stakeholders to develop ways in which to monitor and improve the management of environmental and sustainability issues.

The estate has a high occupancy rate and is largely let on long leases, which means improving building energy performance ratings, in an efficient and cost-effective way, is challenging. In addition, the day-to-day control of energy usage, is the responsibility of our occupiers. However, the portfolio is well designed to mitigate its impact on the environment with 82% of the buildings having an Energy Performance Certificate ("EPC") rating across the portfolio of C or better. In addition, when we develop an asset or refurbish it, we do so to BREEAM Excellent or Very good, further improving the sustainability of the portfolio.

## EPC ratings across the portfolio

EPC rating	2021	2020
A	7%	6%
B	22%	23%
C	53%	52%
D	15%	15%
E	3%	4%
F	0%	0%
G	0%	0%

During 2021 we continued to renew EPCs and to deliver asset management and improvement projects. In some cases, EPC renewals lead to a drop in ratings, due to the changes to the assessment methodologies since the original assessments were carried out. We expect to show continued improvement to EPC ratings through 2022 and beyond.

## Sustainable building certifications across the portfolio

	2021
Proportion of portfolio relevant for BREEAM rating	13%
BREEAM Excellent & Very Good ratings	100%
nZEB standard (Ireland only)	100%
Proportion of portfolio with DEC rating	72%
DEC rating A-C (better than typical energy use)**	68%

\*\* Ratings made up of annual and ten-year renewal DEC's.

## RESPONSIBLE BUSINESS CONTINUED

### SECR disclosures

PHP measures its emissions in line with the Green House Gas Protocol and takes an operational control approach. Emissions are based on verified data currently reviewed by a third party, Inenco. Data is based on metered energy use and estimates and miles driven by employees. Scope 1 and 2 emissions are normalised by revenue and full time employees as these relate to our direct operations and by kWh/m<sup>2</sup> for tenant occupied buildings.

PHP's direct operations result in very limited greenhouse gas emissions. The table below shows the Scope 1 and 2 emissions directly within the operational control of the Group. Scope 1 relates to gas used in permanent offices and business travel by car and Scope 2 relates to grid electricity used at PHP's offices. For the first time, we are also reporting Scope 3 emissions from the properties where PHP supplies energy to occupiers, which they hold operational control over.

100% of total Scope 1, 2 and 3 kWh emissions in the year were based in the UK.

Source	2021		2020	
	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e	kWh
<b>Scope 1</b>				
Business travel (car)	28.4	115,568	15.9	64,408
Gas	3.9	21,099	2.7	14,484
<b>Scope 2</b>				
Electricity (market based) <sup>1</sup>	5.4	25,528	5.3	20,775
<b>Total Scope 1 &amp; 2</b>	<b>37.7</b>	<b>162,195</b>	<b>23.9</b>	<b>99,667</b>
<b>Scope 3</b>				
Landlord supplied electricity	1,058	4,984,324	1,219	5,230,579
(market based) <sup>1</sup>	(922)	—	n/a	—
Landlord supplied gas	1,058	5,774,465	1,223	6,650,630
<b>Total Scope 3</b>	<b>2,116</b>	<b>10,758,790</b>	<b>2,442</b>	<b>11,881,209</b>
(market based) <sup>1</sup>	(1,979)	—	n/a	—
<b>Total</b>	<b>2,154</b>	<b>10,920,985</b>	<b>2,466</b>	<b>11,980,876</b>
Scope 1 & 2 per full time employee	0.6	—	0.4	—
Scope 1 & 2 per £m revenue	0.3	—	0.2	—
Scope 3 kg CO <sub>2</sub> per m <sup>2</sup>	16.4	92	20.1	98
(market based) <sup>1</sup>	15.3	—	—	—

<sup>1</sup> Market based reporting reflects the emissions from the electricity being purchased, whereas location based uses national grid average emissions for the reporting year.

For 2021 we have updated our reporting and this has resulted in an update to our 2020 disclosure. Against the new baseline for 2020, absolute scope 1 & 2 emissions have increased by 69% and intensity by 61%.

Increases to Scope 1 and 2 emissions are due to increased business travel following previous COVID-19 restrictions being lifted and a return to regular property visits and an increased use of offices following employees returning on a part-time basis. Therefore this does not reflect the direction of travel to improve energy efficiency and reduce our direct operational emissions.

We have committed to our direct operations being net zero carbon by 2023. In 2020, we established an ESG committee and we commenced work on identifying opportunities. In 2021, we secured a new head office which is a modern and more energy efficient space. Employees are encouraged to use public transport in place of cars for business travel and a new employee benefit has been introduced to support take up and use of electric and hybrid vehicles. We will continue to reduce energy demand from our offices and emissions from transport, however our wider portfolio is where we aim to focus our attention going forward, as this is where the largest source of emissions lies.

As shown in the table above, Scope 3 emissions from landlord supplied energy have reduced during 2021 and energy use intensity has also reduced. We intend to build on this going forward, through tenant engagement and asset management activities.

### Wider portfolio energy and carbon performance

For a small proportion of the portfolio, PHP procures the energy which is used by tenants, and we began transferring these to 100% renewable electricity supplies in 2021 with all energy being renewable by 2023. We are now working with these occupiers to minimise their energy consumption over time.

We are also working to expand the coverage of energy and carbon reporting across the whole portfolio, including occupier controlled supplies, and have started to collect energy consumption data from occupiers which will help us to engage with them to meet ours and their net zero carbon commitments.

# HEALTH – COMMUNITY IMPACT

## SOCIAL – HEALTH

PHP seeks to have a positive impact on the health and wellbeing of the communities where its assets are located and has set policies and targets to achieve this through a Community Impact Program and further details are set out below.

PHP is committed to supporting both the NHS and HSE in tackling the major under investment in primary care facilities in both the UK and Ireland. PHP's aim is to modernise and improve the ability to provide efficient and effective healthcare through the provision of modern, purpose-built properties, let to the NHS, HSE, GPs and other healthcare operators. The facilities are predominantly located within residential communities and enable the UK and Irish population to access better health services in their local area. This is central to the Group's purpose, strategic objectives and business planning processes.

PHP's portfolio serves around 6.0 million patients or 8.9% of the UK population and our portfolio is their first point of contact with the NHS when they start their patient journey. Our interventions, when we acquire, refurbish or develop new health care facilities, have a significant positive social impact, whether through enhancement of experience for people using our facilities, expansion of health care provision locally or making health care more accessible to those that need it most. Our active management of the property portfolio seeks to maintain the centres as fit for purpose and systems have been established to ensure that PHP is properly monitoring its social impact and identifying and managing opportunities and risks associated with the provision of its properties. We conduct an annual survey of our occupiers to review and consider awareness and overall satisfaction with our activities including social initiatives.

### Occupier survey

In 2021, as with previous years, PHP conducted a survey of our UK based GP tenants. We received 25% more responses than 2020 and there were a number of positive findings. The majority of respondents believe that their building meets their current needs, were satisfied with the level of communication and interaction they have with us and nearly 80% were happy to share energy usage data and support our overall ESG strategy.

Our overall Net Promoter Score declined in 2021 and while there were no major negative findings, issues surrounding maintenance and functionality of space were highlighted which have been addressed through our proactive property and asset management activities which are ongoing.

PHP is committed to ensuring that the properties it develops and owns continue to meet our GP, NHS and HSE occupiers' requirements in their local community and also provide flexibility for future change, update and expansion. Our dedicated teams of asset and property managers look after our occupiers' requirements, with a policy of regular communication and a supportive approach to property management. It is crucial that we continually update our understanding of what issues matter to our occupiers and how the NHS and HSE are changing to meet the increasing demands on the healthcare system in both countries. We will continue to engage and consider the views of our occupiers including an annual survey.

The COVID-19 pandemic highlighted the ongoing need for purpose-built, primary care premises to provide modern healthcare to an ageing population that will live for longer with more incidence of chronic illness. This further reinforces our objectives to continue to invest in our existing and new premises for the benefit of all our stakeholders.

Our occupier survey also asked occupiers to name initiatives that they felt would benefit the health and wellbeing of their patients and communities they serve and are not currently provided for them elsewhere. The responses received are currently being reviewed with a view to helping to target the Community Impact Program in 2022 and beyond.

## RESPONSIBLE BUSINESS CONTINUED

### Community Impact Fund

PHP has committed £0.25 million per annum to fund social and charitable activities and services linked to the patients and communities of our occupiers which cannot be readily accessed elsewhere. In 2021, we distributed £0.2 million across a wide range of projects supporting our GPs, understanding their views with a view to implementing a further programme of activities in 2022 and beyond.



- PHP are delighted to be working with the UK Community Foundations to offer grants to charities and community groups that are focused on social prescribing and community wellbeing that serve our properties.
- Grants totalling £150,000 were awarded to projects in Scotland and Lincolnshire that cover a wide range of innovative approaches to improving health and wellbeing via social prescribing, including the use of art, sport, outdoor, nature-based and specialist activities to improve the physical and mental health of a wide variety of groups and good causes addressing a number of important areas, such as:
  - Children with long term chronic conditions
  - Equine therapy, assisted learning and outdoor activities
  - Mental health and wellbeing
  - Dementia
  - Young family support
  - Men's health



### BREATHE

- PHP is proud to be a supporter of ENO Breathe – a breathing and wellbeing programme for people recovering from the effects of COVID-19.
- ENO Breathe is a social prescribing programme developed by the English National Opera to help tackle the effects of Long COVID.



- PHP has committed to play a key role in the UK's Levelling Up agenda by partnering on the work by the Purpose Coalition around the development of a set of levelling up goals focused around good health and wellbeing.



- As part of the Community Impact Programme PHP was proud to support a number of charities during 2021 and introduced a scheme to match funds raised by staff up to a maximum amount of £2,000.
- During the year we made donations to a number of charities including Variety, the Children's Charity; RFU Injured Players Foundation; Cancer Research; The Felix Project; Bliss; and KidsOut.

# PEOPLE – RESPONSIBLE BUSINESS

## PEOPLE

PHP recognises the importance of the welfare of the employees who work on behalf of the Group and are critical to its success. Their experience and contribution to the business is essential to the delivery of our business strategy and ESG commitments.

During 2021, the management structure was internalised and we successfully retained a loyal team with a low staff turnover rate of 19% which we believe reflects PHP's Board commitment to maintaining and promoting the highest levels of ethics, conduct and promoting a workplace culture of:

- inclusion;
- modern, flexible working practices;
- fair remuneration;
- diversity and equal opportunity;
- employee development and training; and
- health and safety.

Laure Duhot is the designated workforce Non-executive Director. In the year she considered the results of the staff survey and held one meeting with a select number of employees from different areas of the Company to discuss their feedback from the survey and thoughts in more depth which were reported back to the Board. Overall morale was considered to be good and that bi-weekly team meetings were welcomed and further improved communications. However, there appeared to be a good culture of openness.

In addition to fair remuneration which is aligned to personal and Company performance and as part of our ongoing commitment to supporting employees, attracting and retaining talent, the Remuneration Committee undertook a full review of benefits offered, and subsequently decided to implement the following effective from 1 January 2022:

- Enhanced Company pension contributions of 6% of salary up to a maximum contribution of £10,000.
- Additional day of annual leave for each year of continuous service up to a maximum of five days.
- A green car salary sacrifice benefit to help individuals move to low carbon electric and hybrid personal vehicles.
- Introduction of a share save plan.
- Enhancements to sick pay.
- Life assurance given to all employees at four times salary.
- Cycle to work and season ticket loan schemes.

A Long Term Incentive Plan ("LTIP") was approved by shareholders at the Annual General Meeting in May 2021 and awards were granted to the senior leadership team that replicate arrangements for the Executive Directors to maximise returns to shareholders by successfully delivering the Company's objectives over the long term in a sustainable manner. Further details on the LTIP can be found in the Directors' Remuneration Report on pages 86 to 99 in the Annual Report. In addition, all employees are eligible to participate in the PHP Sharesave plan that was approved by shareholders at the 2021 AGM.

## COVID-19

During 2021, we have continued to support our people during the ongoing pandemic through ongoing remote working during lockdown and as we returned to the office more flexible working arrangements, with employees allowed to spend up to half the week working from home and half in the office or on site.

Following the easing of restrictions in April 2021, we undertook a staff survey, to gauge the views of all employees on their working practices and environment. Whilst many noted advantages of more flexible working, many expressed a desire to return to in person, collaborative working. Creating space and time for social interactions and team working were seen as beneficial.

As the team in London has continued to grow over the last two years it became clear the current office accommodation was no longer sufficient for the Company's purposes. Consequently, more modern, open plan office accommodation has been secured and the team moved in at the start of 2022, with continued flexible working provision and infrastructure in the new offices.

## Employee development

PHP's Human Capital is essential to success of the business and delivery of outstanding services to our occupiers in the healthcare sector. Attracting, retaining and developing employees is therefore a key commitment for the business.

During 2021, we continued to focus on personal and professional training and development. Appraisals are undertaken for all employees twice a year including setting goals and targets as well as considering performance against those previously set.

Personalised training plans were also delivered to target leadership and management training for new managers. We ran self-awareness workshops, based on MBTI personality types to help colleagues to collaborate and enhance team effectiveness.

A range of additional personal development workshops were held for all staff, to enhance performance in key areas including communication, presentation skills, assertiveness and time management.

A total of 730 personal development training hours have been delivered across the Group during 2021.

During 2021, PHP invested a total of £37,500 or an average £680 per employee on professional development. This includes:

- Support, funding and facilitation of professional qualifications for 13 employees and continued professional development for all employees.
- Recruited seven graduates to grow talent for the future.

## Diversity & equal opportunity

We promote diversity across knowledge, experience, gender, age and ethnicity with a published diversity and inclusion policy in place. Whilst overall female employee representation is good, we recognised that we needed to specifically promote greater gender diversity. Following the appointment of Ivonne Cantú, effective from 1 January 2022, we have further increased female and ethnic Board representation.

Recognising the significant diversity imbalance in the real estate sector, we continue to support the Real Estate Balance group to further promote diversity both internally and externally.

### Employee gender diversity at 31 December 2021:

	Male	Female <sup>1</sup>
Board of Directors	5	2
Senior management and direct reports	18	17
Employees	12	13
<b>All employees (including NEDs)</b>	<b>35</b>	<b>32</b>

1 Includes Ivonne Cantú appointed effective 1 January 2022.

## Health and safety

Health and safety remains central to the execution of PHP's business strategy and we take our responsibilities very seriously and are committed to continued improvement but have an excellent record. The Board is responsible for ensuring appropriate health and safety procedures are in place and during 2021 we maintained a regime of inspections utilising both third-party agents, including two risk management solutions providers and in-house resources to support the portfolio.

Where risks need to be assessed under a specific duty or regulation, we ensure that an assessment is carried out and that all necessary actions are implemented. The key health and safety risk areas PHP faces are:

1. Managed properties – where there are multiple occupiers in the same property, a combination of third-party agents and internal resources are used to carry out a health and safety assessment and audits relating to the common parts.
2. Developments and forward funded developments – all our development partners are required to uphold our high standards. Procedures and processes have been developed to ensure compliance with current legislation and requirements. A Project Monitor is also appointed to oversee, manage and monitor health and safety.
3. Employees are required to uphold our high standards and separate procedures and processes in place to ensure compliance with current legislation and requirements.

During 2021 there were no reported major accidents nor any health and safety prosecutions or enforcements (2020: no incidents). Our Board approved Health and Safety policy is available on the Company's website.

## PEOPLE: TARGETS, ACHIEVEMENTS AND KEY WORKSTREAMS FOR 2022

### 2021 targets

Publish the Chief Executive Officer's commitment to Real Estate Balance promoting employee diversity challenging mindsets on bias and discrimination.

### Headline achievements from 2021

Commitment published at the start of year and available on the Group's website.

Senior leadership team attended Inclusive Leadership workshop to explore the significance of conduct, culture and respect at work and to understand the tone from the top and implications of unconscious bias.

All staff invited to attend regular seminars on a variety of topics to promote diversity and inclusion across the business.

### Key workstreams for 2022

Continue to promote PHP's culture and commitment to maintaining and promoting the highest levels of ethics and a workplace culture of inclusion, diversity and equal opportunity.

### 2021 targets

Publish and report transparent information regarding employees.

### Headline achievements from 2021

See page 68 in the Annual Report for further details.

We have implemented a new HR self-reporting system to capture and improve the accuracy of our workforce diversity data.

We conducted a staff survey in order to inform working practices following the year of tightening and easing of restrictions.

All employees participated and offered their views.

Whilst many noted the advantages of time saved not commuting to an office and a different work life balance, many also noted despite the technology available, they still felt isolated working from home, missing social interactions and finding team working more challenging than when meeting in person.

### Key workstreams for 2022

Conduct an annual staff survey to ascertain levels of employee satisfaction and help ascertain areas for continued improvement.

Continue to review approaches to diversity and inclusion performance.

Invested in a new, modern office for employees in London.

### 2021 targets

Set ESG targets as part of employees' appraisal and personal performance objectives.

Employee training plans to be developed to include at least 10% ESG content.

### Headline achievements from 2021

Personalised training plans delivered for all staff broken down into four key areas to enhance self-awareness, gain an understanding of leadership styles, motivation and coaching skills.

13 people are currently studying for professional qualifications across the team.

### Key workstreams for 2022

We continue to support all staff with individual training plans, semi-annual appraisals including and reviewing personal performance objectives which include ESG content.

## OTHER STAKEHOLDERS

While our investment, asset management and development activities focus on the sustainability risks and opportunities that are most material to our business there are a number of additional issues that are of lower material impact but are of interest to specific stakeholder groups:

- We are transparent and all our policies are available on our website and we expect our principal advisers, suppliers and occupiers to follow them.
- We expect organisations we employ to meet the standards we set ourselves.
- We engage with stakeholders to ensure we are aware of, and are able to respond to, their expectations.



### Contractors and suppliers

Delivering developments, forward funded developments, asset management projects and property services on time, on budget and in adherence with our high standards is a key priority. Our supply chain is checked (accredited by the SafeContractor scheme) to ensure it is high quality, robust, has a proven track record and applies appropriate standards on areas such as labour and human rights, health and safety, modern slavery and human trafficking. For developments, contractors are expected to demonstrate adherence to these requirements and our development monitoring surveyor stays close to our contractors and monitors all elements of projects as they progress. Our Modern Slavery Act Statement is available on our website and no human rights concerns arose within the year.

We have approximately 1,200 suppliers across the Group ranging from small local businesses to large multi-national companies. We also acknowledge the importance of our suppliers, who are often small businesses and sole traders, especially those involved with the upkeep and maintenance of our assets. We aim to pay all invoices and amounts due promptly and well within stated payment terms in an effort to preserve the cash flows of these small businesses.

### Tax

The Group is committed to complying with tax laws in a responsible manner and has open and constructive relationships with the UK and Irish tax authorities. Whilst the Group enjoys REIT status and therefore is not directly assessable for corporation or capital gains tax on property investments, the dividends that the Group pays are assessed for income tax when they reach investors. Moreover, during 2021 the Group has directly paid £28.7 million (2020: £28.7 million) of taxes in the form of VAT, income tax, stamp duty land tax, stamp duty and national insurance contributions to the UK and Irish Governments. The Group has not and does not intend to take advantage of any UK or Irish Government incentives, loans or tax deferrals made available to it as a result of the COVID-19 pandemic.

The Company has also published a Tax Strategy which is available on our website.

### Investors and lenders

The support of our shareholders, banking partners and lenders is crucial to sustaining our investment in the health infrastructure of the UK and Ireland. At the start of 2021 we successfully completed the acquisition of Nexus with 99.95% of shareholders voting in favour of the transaction. We continue to enjoy strong relationships with our investor, banking and lending partners.

Despite the pandemic, we have successfully continued to value existing and potential relationships with our investors with over 200 meetings during the course of 2021. Shareholders and analysts are regularly updated about our performance and are given the opportunity to meet management throughout the year and attend presentations, physical and virtual, and site visits to gain a better understanding of our business strategy.

### Governance

We conduct our business with integrity and require that our Directors, employees and other businesses engaged by us, including developers, contractors, suppliers and agents, do the same.

We believe that good governance practices are essential to a successful and sustainable business and therefore we ensure that they are integral to us. We are compliant with the provisions of the UK Corporate Governance Code 2018 insofar as it is applicable to PHP. We believe in transparency of our business to stakeholders ensuring we report comprehensively and fairly in our Annual and Interim Reports and engage with our stakeholders throughout the year.

We will:

- be honest, open, transparent, helpful and polite;
- obey all relevant laws and regulations;
- be prepared to admit and correct mistakes without delay and facilitate "whistleblowing" by employees and other stakeholders;
- declare any potential conflicts of interest which may compromise our business dealings;
- not give or receive illegal or inappropriate inducements in order to retain or bestow business or financial advantages; and
- at all times promote the ethical conduct of business.

These principles are supported by policies which address anti-bribery and corruption, whistleblowing, money laundering, prompt payment and management of the supply chain.

### Enhanced disclosure and benchmarking

We have published for the first time the Task Force on Climate-related Financial Disclosures ("TCFD") which are set out on page 17.



During 2021, PHP completed its second submission to The Global ESG Benchmark for Real Assets ("GRESB") and achieved a score of 52%, ranking PHP 1st in the Healthcare comparator group. The score is a significant improvement on the 39% score in 2020, but below the GRESB average score of 72% and we aim to make further improvements for future submissions.



Our MSCI rating improved on the previous year to BB and we expect improvements made and reported for 2021 and planned during 2022, to further improve our rating. We will engage with MSCI to ensure our rating best reflects the actions we are taking and to inform how we improve further.

### Anti-corruption and anti-bribery

The Group's policy is to conduct all of its business in an honest and ethical manner. The Group takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships wherever it operates and implements and enforces effective systems to counter bribery. There were no reported incidents of non-compliance during 2021 (2020: no incidents).

### Non-financial information statement

The Group has complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the Strategic Report. This can be found as follows:

The Group's business model is on pages 12 and 13 in the Annual Report.

Information regarding the following matters, including policies, the due diligence process implemented in pursuance of the policies and outcomes of those policies, can be found on the following pages:

- environmental matters on pages 5 to 9;
- social matters on page 11;
- health and safety matter on page 13;
- respect for human rights on page 14; and
- anti-corruption and anti-bribery matters on page 16.

Responsible Business and ESG matters have been identified as a principal risk and further details can be found on pages 54 to 55 in the Annual Report.

All key performance indicators of the Group are on pages 16 to 17 in the Annual Report.

The Business Review section on pages 18 to 22 in the Annual Report includes, where appropriate, references to, and additional explanations of, amounts included in the entity's annual accounts.

### Laure Duhot

Chair of the Environmental, Social and Governance Committee

### Primary Health Properties PLC

15 February 2022

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Below, we have set out for the first time disclosures against the requirements of the Task Force on Climate-related Financial Disclosures ("TCFD").

We are committed to implementing the relevant recommendations of the TCFD, providing our stakeholders and investors with insight into the key climate-related risks and opportunities that are relevant to our business, and how these are identified and managed. We report against the majority of the eleven recommendations of the TCFD in this year's disclosures. Of the recommendations, we believe we meet the recommended disclosure requirements in the Governance, Risk Management and Metrics & Targets sections. However, like many other organisations, we are evaluating how best to meet the recommendations in the Strategy section, specifically scenario analysis, and will conduct a review and commission climate-related scenario analysis over the course of 2022.

## Governance

The Board is responsible for the Group's risk management framework, including the consideration of climate related risks and opportunities as part of its wider oversight for Responsible Business including ESG matters. The Board reviews climate related risks and opportunities within our existing reporting and governance structure which are typically within relevant update papers presented to the Board at each meeting from the relevant members of the Executive Committee, through the ESG Committee and the Risk Committee reporting into the Audit Committee.

The monitoring of progress on Responsible Business matters is delegated to the ESG Committee. Implementation of Responsible Business is delegated to the Executive Committee with its members leading the Responsible Business working group; other members consist of Director, ESG along with a representative from each of the investment, asset management, property management and development teams. The Responsible Business working group meet at least monthly to consider progress and next steps and the Executive Committee ensures that Responsible Business and ESG targets are delivered and leads engagement and training across the Group on Responsible

Business and ESG matters, including climate related risks, helped by our sustainability advisers Carbon Trust and GEP Environmental.

## Strategy

During the year we set out a Net Zero Carbon Framework, see page 1, which details the five key steps we are taking to achieve an ambitious target of being NZC by 2030 for all of PHP's operational, development and asset management activities and to help our occupiers achieve NZC by 2040 five years ahead of the NHS's target of becoming the world's first net zero carbon national health system by 2045 and ten years ahead of the UK and Irish Governments' targets of 2050.

We have also completed a detailed review of climate related risks and opportunities including the creation of an ESG risk and opportunities register considering risks over the short (<1-year), medium (1-5 years) and long term (>5-years) time horizons.

The Group has identified the following key climate related risks that could impact the portfolio:

1. the desirability of its assets to occupiers such that buildings are no longer fit for purpose from a location, design or operational perspective;
2. its ability to sell assets as a result of a greater focus by investors on climate related risks; and
3. its access to capital and impacting on reputation due to concerns over how well its buildings are adapted for climate change and how well the NHS and its GP occupiers are positioned for a low carbon economy.

The Group has identified the following key climate related opportunities that could impact the portfolio:

1. Pre-empting and satisfying future occupier requirements, including legislation, enhances PHP's reputation with our occupiers ensuring they want to occupy the properties in our portfolio and results in further rental growth.
2. PHP's pro-active approach to ESG matters means we continue to be attractive to existing and potential stakeholders including investors and lenders.

## RESPONSIBLE BUSINESS CONTINUED

The Group's continued focus on flexible, modern primary care properties that generally have low energy requirements means that the overall carbon footprint of the portfolio is kept to a minimum. In addition, the Group's continued investment in asset and property management initiatives means that its typically slightly older and less energy efficient assets are being upgraded to the latest energy efficient, environmental performance standards achievable for these buildings.

We are also improving and adapting our assets to be more resilient to climate change through maintenance, energy efficiency upgrades and the provision of renewable energy supplies for the Group's occupiers. Furthermore, whilst development is only a small part of our activities, we are focusing on enhancing the sustainability features of our development projects and work is about to commence on the Group's first net zero carbon developments and we are aiming for all developments to be net zero by 2025.

During our investment process, we are careful to review the locational and flood risks, the building fabric and the energy efficiency of potential acquisitions and current assets to understand the climate and carbon related risks and costs involved in mitigating those risks.

These actions will help to future proof our buildings and allow us to take advantage of opportunities with the NHS, and our other occupiers, as they shift to a low carbon environment with its multi-year plan to become the world's first carbon net zero national health system by 2045 and with an ambition for an interim 80% reduction by 2036-2039.

By improving occupier contentment, we will enhance the desirability and value of our assets together with our reputation with the NHS and GP occupiers.

In line with the requirement for full reporting against TCFD for the 2022 Annual Report, we will conduct a review and commission climate related scenario analysis over the coming year to assess the resilience of the Company's portfolio and our strategy.

### Risk management

Climate related risks are considered by the Board who recognise that climate change is an increasingly important priority. The Responsible Business working group update the ESG Committee on climate related risks as well as opportunities. The Group is increasing its understanding and assessing the potential impact of physical changes, such as extreme weather and longer term shifts in climate patterns. The transitional changes are also being examined in terms of emissions pricing, costs from adopting lower emission technology, regulation of products, legislative, occupier and consumer behaviour.

During the year, we established a detailed climate related risks and opportunities register which is reviewed by both the Risk Committee reporting to the Audit Committee and ESG Committee as detailed on pages 54 and 55 in the Annual Report. The register is regularly updated to keep track of the changing nature of these risks, quantify the estimated financial impact and further progress our analysis of which acute and chronic physical climate risks are most likely to affect our assets, specifically on flooding which we see as the highest risk area.

Following the desktop flood analysis carried out across the portfolio, by Locktons, we analysed the results of that study and undertook more detailed site-specific analysis where appropriate. This work has identified the number of assets classified as high risk to just 34 out of a portfolio of 521 assets and represent just 7% by value. We continue to extend this analysis as we look to regularly monitor changes in flooding risk in the future. Further work will be undertaken to consider the impact of other climate change related risks and we will look at how modelling of short, medium and long term horizons for increases in global temperatures could help us in better understanding the risks to our portfolio.

Over the year, we further increased our focus on the transitional risks that impact our business with particular scrutiny of potential Minimum Energy Efficiency Standards ("MEES") legislative changes, which would require a high level of energy efficiency at each asset by the end of the decade. We are about to start construction of our first Net Zero Carbon developments at Lincolnshire and West Sussex which are due to complete in 2023. In addition, we continued to refine and improve the ESG targets set by the Group and pages 7 to 14 set out our approach more widely.

As the NHS looks to deliver its multi-year plan to become the world's first carbon net zero national health system by 2045 and with an ambition for an interim 80% reduction by 2036-2039, we have set out PHP's framework to help our occupiers achieve the NHS's targets and ahead of the UK and Irish Governments' targets of being net zero by 2050.

For more details on the Company's overall approach to risk management, including management of climate related risks, refer to principal risks and uncertainties on pages 50 to 55 in the Annual Report.

### Targets and metrics

Details of PHP's target to achieve NZC across operational, development and asset management activities by 2030 and to help our occupiers achieve NZC by 2040 are set out on page 1.

Relevant material energy and carbon metrics include EPC ratings for our standing assets which are tracked and are reported within the "Responsible Business and ESG Review" section of this report on page 8 along with BREEAM Excellent certification on developments in the UK and Building Energy Rating of A3, in accordance with nZEB (nearly Zero Energy Buildings), in Ireland.

We report our GRESB benchmark performance score and aim to report against EPRA Best Practice Recommendations on Sustainability Reporting over time and the results are included in our Responsible Business and ESG Report 2021 which is available on our website. We also disclose Scope 1, Scope 2 and Scope 3 (which relate to landlord supplied electricity and gas) greenhouse gas ("GHG") emissions in our carbon reporting table on page 9. Our absolute landlord-controlled carbon footprint has decreased over the last few years as a result of our initiatives particularly due to the continuing shift towards 100% renewable electricity supplies across our portfolio.

Performance against our historic Responsible Business annual targets is provided in our full Responsible Business and ESG Report which is also available on our website and updated annually.

## COMPANIES ACT 2006 SECTION 172 STATEMENT

### How does the Board consider the interests of key stakeholders?

Our responsibility to stakeholders, together with consideration of the long term consequences of our decisions and maintaining high standards of business conduct, is integral to the way the Board operates.

The Board of Directors, both individually and collectively, are required by law under Section 172 of the Companies Act 2006 to act in the way that they consider, in their good faith judgement, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and in doing so need to take into account a number of factors, including the views of the Group's key stakeholders and describe in the Annual Report how their interests have been considered in Board discussions and decision making. The Board considers that throughout the year, it has acted in a way and made decisions that would most likely promote the success of the Group for the benefit of its members as a whole, with particular regard to:

Section 172 matter	How the matter is brought into Board decision making	Read more
a) The likely consequences of any decision in the long term	<p>The very nature of our business model means that the Board has to have the long term consequences of its investment decisions in mind.</p> <p>The leases which we grant on primary care medical centres are generally over 20 years in length as these facilities form a key component in the delivery of healthcare in a locality. The practice(s) operating from these premises need modern, flexible premises from which to operate and the security of a long term commitment from the landlord to deliver their crucial front-line health services.</p> <p>We seek to improve and enhance existing premises so they remain fit for purpose, incorporate new technologies and meet the latest environmental standards.</p> <p>We strive to build lasting relationships with our occupiers and build a partnership with them.</p> <p>The Board undertook a comprehensive review and update of the business's long term strategy during the year.</p>	<p><a href="#">Our business model (page 12 in the Annual Report)</a></p> <p><a href="#">Financial Review (page 23 in the Annual Report)</a></p> <p><a href="#">Responsible Business (page 1)</a></p> <p><a href="#">Corporate Governance Report (page 66 in the Annual Report)</a></p>
b) The interests of the Company's employees	<p>The Group's employees are at the heart of the business and our people strategy focuses on delivering a culture of empowerment, inclusion, development, openness and teamwork.</p> <p>During 2021 the management structure was internalised and we successfully retained a loyal team with a low staff turnover rate. The small number of staff allows for a flexible and individual approach.</p> <p>Laure Duhot is the Non-executive Director representative for workforce engagement and attended a staff meeting during the year.</p>	<p><a href="#">Stakeholders and people (pages 12 and 13)</a></p>
c) The need to foster the Company's business relationships with suppliers, customers and others	<p>The relationships with our occupiers, suppliers and key partners are critical to our ability to maintain our high quality, resilient rental income. Strong relationships with occupiers supports retention and we treat our suppliers fairly ensuring prompt settlement of their invoices.</p>	<p><a href="#">Stakeholders (page 14)</a></p> <p><a href="#">Directors' Report (page 100 in the Annual Report)</a></p> <p><a href="#">Corporate Governance Report (page 66 in the Annual Report)</a></p>
d) The impact of the Company's operations on the community and the environment	<p>We have continued to support our tenants during the year in adapting their premises, where necessary, to provide COVID-19 secure facilities to their local communities.</p> <p>This year we have also further enhanced our ESG activities setting out a framework to enable the Group's operational, development and asset management activities to transition to Net Zero Carbon by 2030 and help our occupiers achieve NZC by 2040.</p>	<p><a href="#">Responsible Business (page 1)</a></p> <p><a href="#">Corporate Governance Report (page 66 in the Annual Report)</a></p>
e) The desirability of the Company maintaining a reputation for high standards of business conduct	<p>We have a clear purpose to create outstanding spaces for primary healthcare services in our communities.</p> <p>We adhere to the highest standards of good governance and business conduct in interaction with all our stakeholders and seek to comply with all legal and regulatory standards.</p>	<p><a href="#">Responsible Business (page 1)</a></p> <p><a href="#">Corporate Governance Report (page 66 in the Annual Report)</a></p>
f) The need to act fairly as between members of the Company	<p>The Board embraces open dialogue with shareholders and engages with them through a range of channels and has communicated with them on the most important corporate events through the year, including the internalisation project, interim and full year results to understand their views.</p>	<p><a href="#">Stakeholders – Investors and lenders (page 15)</a></p> <p><a href="#">Corporate Governance Report (page 66 in the Annual Report)</a></p>

Examples of how we have exercised our Section 172 duties in practice are set out in the case studies on pages 19, 20 and 36 in the Annual Report and page 7 of this report.



**Primary Health Properties PLC**

Registered office:  
5th Floor, Greener House  
66–68 Haymarket  
London SW1Y 4RF

Website:  
[www.phpgroup.co.uk](http://www.phpgroup.co.uk)

Registered in England Number:  
3033634