Annual Report

2023

Summerset

Management commentary
(no financial statements)

Management commentary
(no financial statements)

ABOUT THIS REPORT

This Annual Report of Summerset Group Holdings Limited (Summerset) is prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), the NZX Listing Rules and Corporate Governance Code, the ASX Listing Rules (as relevant for foreign exempt listings) and the Companies Act 1993.

It covers all our business operations for the year ended 31 December 2023. We are aligning our reporting to the International Integrated Reporting Framework to improve the way we communicate and improve transparency.

We will continue to build on this approach.

Cover: Residents at Summerset Avonhead enjoy socialising in the village centre
Inside cover: Summerset Prebbleton

Management commentary
(no financial statements)

OUR RESIDENTS

Bringing the best of life to our residents every day – resulting in high levels of resident satisfaction.

OUR ENVIRONMENT

Every day we focus on:

Minimising waste

Increasing energy efficiency

Being more sustainable

Management commentary
(no financial statements)

OUR PEOPLE

People are the heart of Summerset. Our values are:

Strong enough to care

One team

Strive to be the best

Contents

Chair and CEO's report	**04**
Summerset Strategy	**11**
Highlights	**14**
Snapshot	**14**
2023 highlights	**16**
Our people and community	**20**
Our villages	**32**
Embedding sustainability	**42**
Our performance	**50**
Five-year summary	**54**
Financial statements	**55**
Governance	**94**
Board of Directors	**106**
Executive Leadership Team	**108**
Remuneration	**110**
Disclosures	**122**
Directory	**131**
Company information	**134**

Management commentary
(no financial statements)

Chair and CEO's report

Mark Verbiest
Chair

Scott Scoullar
Chief Executive Officer

Welcome to our annual report for the 12 months ended 31 December 2023. Despite significant challenges, Summerset has had a year of considerable achievements.

We have been able to continue to deliver value for our residents and shareholders during a year which has been one of the most challenging we've seen as a company. Increasing inflation, recruitment shortages and a falling residential property market made business difficult throughout the year, and yet we continued to grow.

Over 2023 we saw a record 1,103 sales of Occupation Rights, our highest year to date, and an excellent result in a very difficult macroeconomic environment.

The downturn in the New Zealand property market presented a new challenge for our Sales team in 2023. With housing turnover reportedly at its lowest in decades we had to adapt to help our prospective residents who wanted to join our village communities.

To make it easier for our future residents to join their chosen village, we employed a number of sales mechanisms to assist them move into our villages while they were still selling their home. Providing flexibility helped new residents to sell their homes and get organised at a time when selling homes was taking longer.

However, while the residential property market certainly has an influence on our business, our strong sales and demand pipeline shows that we are not solely dependent upon the property market to grow. This is because our residents are often motivated by life events when moving to Summerset. They come to us for a change in lifestyle, security, health, desire for community and more. We continued to see these motivating factors prompting shifts into our villages while the residential property market was in a state of flux.

Throughout the year demand for our retirement living offering significantly increased, with our waitlists and prospective resident databases increasing considerably. The underlying factors driving demand in the market look set to continue. To meet this demand we have continued to strengthen our development pipeline in both New Zealand and Australia. This year we announced the purchase of two pieces of land – Rolleston and Mosgiel in New Zealand. We continue to explore opportunities in both countries to expand our portfolio and land bank.

This year was a landmark for our Australian business with the first homes delivered at our Cranbourne North village in December. Summerset's first Australian residents will move into their new village in March 2024.

Our hard work has been recognised with Summerset receiving a number of awards this year, including winning Gold for the Reader's Digest 2024 Quality Service Award in the Retirement Villages category, it is an honour that New

Management commentary
(no financial statements)

Zealand consumers named us for this accolade.

Business performance

Underlying profit for 2023 is $190.3 million, an increase of 11.0% on 2022. Our IFRS net profit after tax is $436.3 million, up 62.2% on 2022. Operating cash flows of $398.2 million have increased 8.0% from last year. The value of our investment property is now $6.4 billion, up 18.3% on 2022, largely as a result of new purchases and development.

We are very pleased with the overall performance of the business for 2023. We have been able to withstand significant challenges to deliver an increase in our underlying and net (IFRS) profits.

We have continued to show how we can run our business efficiently and effectively in unpredictable and difficult conditions, and at the same time position ourselves for growth into the future.

Levels of uncontracted stock have increased on FY22 but this is unsurprising as we opened two new main buildings at our Bell Block (New Plymouth) and Te Awa (Napier) villages. Both villages have had very high demand for their apartments, and care and memory care facilities but historically we know main buildings take 18–24 months to sell down. When we exclude the new main buildings our uncontracted stock is down 19% year-on-year, a very pleasing result in a tough market.

The Board is pleased to declare a final dividend of 13.2 cents per share, payable on 22 March 2024. Combined with our interim dividend of 11.3 cents per share, shareholders have received 24.5 cents per share for the 2023 financial year — a 9.9% increase over 2022.

Our dividend policy has been to pay out 30-50% of underlying profit for the full year period and we have traditionally paid at the lower end of this range to balance the desire to invest for growth with the preference of some shareholders for yield. Summerset's growth strategy is to deliver on expansion opportunities in New Zealand and Australia that will produce competitive returns for our shareholders.

We are expecting strong underlying profit growth over the medium term as our business matures, which is why we signalled at our half-year results announcement that we were undertaking a review of our Dividend Policy to ensure it remained appropriate for Summerset moving forward.

As part of our review we benchmarked our current policy against NZX and ASX companies, tested alternatives and obtained feedback from our retail and institutional investors, as well as investment analysts in our sector.

Our analysis found that our dividend policy had broad acceptance with our shareholders and was consistent with our peers. Many of our stakeholders highlighted that it was important to them that the dividend policy is free from technical adjustments, can be forecast by the investment community and is easily understood by retail investors.

With this information in mind, the Board has decided to leave the dividend measure unchanged. However, the policy range of paying 30–50% of underlying profit was slightly narrower than it needed to be, so in order to be more flexible and prudent in our approach we have opted to move to 20–50% of underlying profit.

This gives us more scope to reinvest our profits when we need to, in order to maintain long-term financial health, while ensuring we continue to give our investors an appropriate return on their investment where we can.

Care

Our continuum of care model remains a key part of our appeal to prospective residents. We are committed to providing high-quality care, and we continue to invest to provide our residents with the peace of mind that should their needs change they have options at Summerset.

During 2023 we opened new main buildings at our Kenepuru, Bell Block and Te Awa villages, which all feature our world-class care and memory care centres.

In the care centres, we are commencing a move to a household model approach, creating smaller, family grouping sized environments which help to grow relationships and create a sense of home.

In addition to opening new facilities, we have continued the work to refurbish our older, first-generation, facilities around the country. Our Levin, Havelock North and Trentham (Upper Hutt) villages' care centres are all in varying stages of development. At each village we will create a modern facility that better caters to the needs and demands of our current and future residents.

We're also investing in new technology, including ceiling hoists above beds being rolled out at all care centres over the next two years. These are easier to operate and safer for both our residents and staff.

Regulation and funding

Throughout the year we've continued, along with many of our competitors, to advocate for adequate funding for the aged care sector. Successive governments have failed to invest adequately in aged care and the sector has become unsustainable.

Aged care beds are closing around the country, and without change a large proportion of New Zealand's growing aged population will need to be cared for in hospitals, which

Management commentary
(no financial statements)

has a flow-on effect to the entire health sector.

The New Zealand Aged Care Association (NZACA), with support from Summerset and other aged care providers, ran a compelling campaign highlighting this risk, called the Domino Effect. More elderly New Zealanders in hospital beds or requiring home care will impact the health system dramatically, affecting people of all ages who need hospital care.

As a large company Summerset can, and will, continue to keep providing care. While we continue to be committed to providing the very best care possible for our residents and we are investing in care, we are rationalising our care offering. Our future care centres will be smaller and will be targeted primarily at providing a continuum of care to our independent residents.

As well as funding, finding nursing staff continues to be an issue for the sector. It's estimated that there are more than 1,200 nursing vacancies in the sector (nearly 25% of nurses required). While aged care nurses' salaries were increased 11% this year to achieve parity with public sector nurses, Te Whatu Ora increased pay for hospital nurses shortly after this, which meant rather than pay parity the gap remains at least $4,000 per annum depending on their level.

This has again made aged care nursing a less attractive option for nurses when they earn less than nurses with the same qualifications and experience in public hospitals.

We continue to advocate with health officials for a more equitable outcome.

Summerset also welcomed the review by the Ministry of Housing and Urban Development (MHUD) of the Retirement Villages Act. MHUD released a discussion document to the public asking for views about a number of proposals to change the Act. We welcome any changes that make operators raise their standards.

Most of Summerset's practices already align with the proposals in the review, for instance we stop weekly fees after someone vacates their home, there are no charges for maintenance and repairs and we have worked hard to create plain English documentation.

Resident initiatives and events

Our purpose is "bringing the best of life" and we continually look for opportunities to innovate and improve on the experience we provide our residents in all our villages.

In 2023 we have run a successful pilot of our Holiday Homes programme which gives residents and their families the opportunity to rent a fully furnished apartment in one of our villages. The pilot at three villages was very successful and popular and we plan to roll it out to more villages in 2024.

Our entertainment series "Summerset Sessions" continues to deliver a mixture of content live and on-demand to residents regardless of where they are in the country. These sessions include "Cooking with a MasterChef", our musical series "Summerset Sings", and "An Interview With..." featuring well-known personalities and hosted by Summerset Ambassador Jude Dobson.

Popular singer Will Martin performed for Summerset residents in Wellington, Christchurch and Hawke's Bay during the year, and we held resident competitions including Summerset's Best Garden and the Summerset Challenge. The challenge tested residents' quiz skills, with regional finalists travelling to Wellington to compete to be the best quiz team in our villages.

Our efforts have been recognised by residents, with our satisfaction scores remaining extremely high – 96% of village residents and 95% of care residents tell us they are very satisfied or satisfied with their experience with us.

We were also named the Best Provider Nationwide in Aged Advisor's annual "Peoples' Choice Awards". As well as the nationwide win, five of our villages were named finalists in their categories. The most satisfying aspect of this award is that it's voted on by consumers, including retirement village residents and their families. We were honoured that many of our residents nominated us.

Design and technology

We have continued to modify the designs and features of our villages to meet the needs of our current and future residents, and to tailor designs for their varying locations around the country.

Our first provincial main building (PMB), the village centre that provides resident amenities and care facilities, will be built at our Blenheim village. Built to our usual high specification, it will be single storey to be in keeping with its location and be constructed faster for our residents.

Similarly, we have been designing our refreshed regional main building (RMB). Our current RMBs have been built successfully and to the delight of residents around the country for a number of years, but the needs and demands of our residents has meant it's time to refresh the design.

We continue to look at how the quality and greenspace in our villages can be maximised too, with children's playgrounds, wider streets, small parks and indoor/outdoor golf ranges all being investigated in our designs.

We also continue to invest in technology to enhance the lives and experiences of our residents around the country. Our resident experience services and experiences platform Lumin is now rolled out to seven

Wellington region residents' Summerset Sings concert with Will Martin

villages and will go to a further eight by 2025. Lumin allows residents to communicate with each other, book activities, access entertainment and much more, all on a specially designed tablet with a system designed for elderly users.

Summerset is one of the few village operators in the country to offer anything like this to its residents and we believe it's a huge step forward in how we communicate with, and enable, our residents to get on and enjoy their retirement with technology that makes their lives in the village easier.

New Zealand construction and development

Our design and consenting programme continues to position us well for growth across New Zealand.

In New Zealand we have a very well diversified portfolio with 73% of our land bank having resource consent. Those consents allow flexibility in the rate and location of development, so we can respond to localised demand and supply, and the changing economic conditions.

This past year has been an excellent example of the flexibility we can bring to our build programme. We back-weighted deliveries to the second half of the year where we saw economic and market conditions improving, to better enable the sale and settlement of our homes.

We also opted to prudently deliver a total number of units at the lower end of our market guidance while market conditions were less favourable. This year we delivered 633 homes under Occupation Right Agreement and 49 care beds in New Zealand. This reflects growth of around 5% in construction numbers, another record year for Summerset.

Our construction team worked across 17 New Zealand sites this year, including delivering two new main buildings complete with indoor pools, memory and care centres, cafes and other facilities, and completing our Kenepuru (Porirua) and Hobsonville (Auckland) villages.

We also handed over the first homes at our Cambridge, Boulcott (Lower Hutt), Waikanae, Milldale (Auckland) and Blenheim villages, and commenced construction at a number of sites including Rangiora.

We expect to increase our output of homes next year with the market picking up. Our sophisticated delivery programme means that we can scale up and we expect to build 675–725 homes next year. This includes delivering our St Johns (Auckland) village, where 60% of the 329 homes, as well as the main building and the care centre, will be completed in the first stage.

We began the process of divesting our Parnell site this year, as part of actively managing our portfolio weighting of capital deployed across intensive metropolitan developments and the regional developments (which recycle cash faster). The economics of this village were very strong over the long term, and it was consented, but it fell outside our current strategy of minimising the number of concurrent capital-intense metropolitan projects under development.

In 2022 we advised shareholders of the tragic death of Michael

Management commentary
(no financial statements)

Noche, a scaffolding contractor who worked for Marin Construction on our St Johns site. We worked with WorkSafe NZ during 2023 while they investigated Michael's death.

WorkSafe advised late in 2023 that they were not taking any action against either Marin or Summerset. While we were reassured that Worksafe didn't feel any action was warranted, we have not lost sight of the fact that this was, of course, a terrible tragedy for Michael's family, colleagues and for us as a business and we needed to learn from it. As a company we have made modifications to our processes and worked across the construction industry to lead change that we hope will make our people as safe as possible when using temporary work structures.

Costs and procurement

We have worked hard to keep a tight lid on our costs to ensure we set ourselves up for long-term growth. Construction costs have been a focus for us this year as inflation and materials shortages saw prices rise sharply, but we are seeing the market stabilise now.

Our Procurement team works hard to secure value-for-money long-term contracts through the strong relationships we have with our suppliers and we're confident we're tightly managing our construction costs. This work and the diligence of our Construction team has meant that we've delivered our forecast homes on time and within budget.

Our hard work has seen us deliver a very healthy development margin through 2023 of 31.6%, well above the 20–25% guidance we gave last year.

Like most New Zealand businesses, we saw overhead costs such as rates and insurance increasing in 2023. While we can flex our weekly fees to meet these costs, we opted to keep our weekly fee increase as low as possible this year in recognition that inflation was having a big impact on our residents too. We are committed to not increasing fees beyond the percentage increase to NZ Superannuation, and this year we set our weekly fee increase at half that of superannuation.

Australia

In Australia we achieved a major milestone with the delivery of our first homes at our Cranbourne North village. Our first Australian residents will move in March 2024.

Construction begins at our Chirnside Park development shortly, and both our Oakleigh South and Craigieburn sites have been consented. We continue to build a strong land bank and we plan to mirror our New Zealand programme where we have a high percentage of our sites consented so we can flex our build programme as demand and supply dictate. Our three other sites at Torquay, Mernda and Drysdale are all progressing through their consent processes.

Australia continues to offer huge growth opportunities for us if we can access the right sites, and we are now also looking at sites beyond Melbourne and Victoria. We see Queensland as the next logical step in our strategic growth into Australia. This move will provide us with more diversity in our portfolio and allow us to manage market movements with greater flexibility, similar to our development approach in New Zealand where we can adapt to changing market conditions. We plan to continue to grow our land bank in Victoria in parallel to our expansion into Queensland.

We're very pleased to have reached the major milestone of opening our first Australian village and look forward to delivering more homes and villages in the coming years.

Our people

Our people are crucial to our success. At our heart we are a people-centred business providing high-quality homes, care, food, entertainment, support, therapy and much more to more than 8,000 people in our villages across New Zealand, and now into Australia.

Without great people we can't do our work and we can't achieve our purpose of "bringing the best of life".

Throughout this year we have invested in our people, providing them with the tools and opportunities to flourish and grow their careers.

Diversity & Inclusion (D&I) has been a focus for us to ensure that all our staff are comfortable and supported to bring all of themselves to their workplace. All Summerset managers were given D&I training through the year, and we've supported employee representative groups such as our Pride Network and our Women in Construction forum.

We've supported our people's wellbeing by providing them with access to financial, physical and mental health information, and we delivered mental health awareness training to Summerset managers so they can support their people more.

Our people's health and safety is, of course, of enormous importance to us as a business. We have implemented a new three-year Health and Safety (H&S) strategy and we've grown our H&S compliance team to ensure that we are doing everything we can to protect our people. In 2024 we will introduce a new H&S monitoring system that will be a better fit for our varying business units and allow us to capture and analyse more of our data to make improvements quickly across our villages, constructions sites and offices.

In recognising that the cost of living was impacting our people across

Summerset's "Green Team" wins a Construction Sector Accord Beacon Award

the country we gifted a one-off payment of $250 to 65% of our staff. They were identified through our set criteria as needing it the most and in order to give them a meaningful amount.

We are also pleased to report that 659 permanent staff received free Summerset shares this year as part of the vesting of our annual staff share scheme, and 1,944 eligible staff received $1,000 of Summerset shares which vest in July 2026.

Sustainability

Sustainability continues to be a big focus for the business and we've made huge strides since we started measuring and reporting on our environmental impacts. We know there is a long way to go but we believe we are on the right track to meet our sustainability targets.

We were pleased to publish our Sustainability Review in May which detailed the many changes we have made over the last five years.

Our Sustainability Review was our first step into ESG (environmental, social and governance) reporting and cataloguing what we do across these areas. We have evolved our new version of this document and included mandatory climate related disclosures, which were legislated by the government in 2023. Our new Sustainability Review document and disclosures can be found on the Summerset website.

All parts of our business have sustainability goals at the core, whether it is designing and building new villages, managing the use of fossil fuels in our existing facilities, or removing unnecessary plastic packaging from our supply chain.

At the same time, we are committed to creating vibrant, connected communities with skilled, caring, and dedicated staff right across New Zealand and Australia.

Waste reduction in our construction business continues to be a major focus for our business and all 17 construction sites we worked on this year worked hard to reduce waste wherever possible, resulting in 4,372 tonnes of waste diverted from landfill. A great deal of work has also been done reviewing the entire building life cycle from design, procurement, pre-construction through to waste treatment.

Our work was recognised with our construction waste avoidance initiative, titled "Building out Waste by Thinking Green" winning a Construction Sector Accord Beacon Award. Our Think Green programme was also recognised in the Retirement Village Association's Sustainability Awards where we won the APL Operator-led Sustainability Award for our work in reducing our carbon emissions and embedding sustainability across the organisation.

Outside of awards, we were pleased to again be recognised by Forsyth Barr in their second Carbon and ESG Ratings for NZX listed companies. We were again 11th of all NZX-listed companies based on their criteria and we're still the top-rated listed retirement village operator.

We have continued to roll out green initiatives at our villages too with our Karaka village having photovoltaic solar panels installed this year, and

Management commentary
(no financial statements)

the pool at our Manukau village is now heated by solar panels too.

Further information is available in our Sustainability Review and Climate-related Disclosures FY23 report on the Summerset website at www.summerset.co.nz/investor-centre/esg-reporting/.

Emergency preparedness and response

The catastrophic flooding in the Auckland and Northland regions, and Cyclone Gabrielle's impact across large parts of the North Island, tested our resilience with multiple villages suffering power outages during these events.

Our Napier and Te Awa villages were the most heavily impacted, with power out for significant periods, and Te Awa residents having to temporarily evacuate as a precaution during the flooding. We were very pleased that all our village residents and staff were physically unharmed during this time and that none of our villages sustained any major damage.

The benefits of our scale and expert staff based around the country were evident during the cyclone. Summerset was able to provide extra generators to power our main buildings, set up Wi-Fi hotspots for residents to keep in touch with loved ones, fly in staff to support their colleagues and residents and cook meals for residents for two weeks while they got back onto their feet.

For our staff we created a disaster relief fund so they could get access to cash quickly to replace anything in their homes that had been damaged, pay bonds if they needed to move to new rental accommodation and anything else that they might need to look after themselves and their families. We'd like to take the time here to thank the staff of our villages who were impacted by the flooding and Cyclone Gabrielle. Their dedication and support made our residents' lives a lot easier under very trying circumstances.

We completed a comprehensive review of our actions and preparedness following Cyclone Gabrielle and have made changes including purchasing more generators, installing Starlink wireless broadband, and updating our Emergency Response and Business Continuity plans based on lessons learned from the event.

Board and Executive changes

We farewelled long serving Board member, Anne Urlwin, in February 2023 and welcomed our newest director, Fiona Oliver, who was formally elected at our April AGM.

Fiona brings significant commercial, investment and governance expertise to the Summerset Board from her experience at Freightways, First Gas/First Gas Services, Gentrack and others. Fiona has taken Anne's role as chair of our Audit & Risk Committee.

Chris Lokum joined Summerset as GM of People & Culture in October. Chris replaced Dave Clegg who, after a successful four years with us, decided to move into a well-earned retirement. Chris joined us from Waka Kotahi and before that spent many years in HR in Australia and the UK, including her role as Vice President of HR-Fuels in Asia Pacific at BP.

Chris is known for delivering organisation efficiency, increasing organisational capability and providing strategic leadership. She is passionate about people and culture, and brings a strategic, commercial and business lens to her work.

Looking forward

While the economic outlook remains uncertain, we are optimistic for the coming year. We have come through one of the most challenging in Summerset's history with robust demand and record sales numbers.

Not only this but we've also met our targeted build rate, opened our first Australian village, added to our significant land bank, and continued to invest in our residents' experience.

During 2023 we showed our ability to navigate the business through challenging times while continung to grow. We have managed our costs very closely through the year and brought our gearing down from our half-year result. We have acted prudently where we've had to, reducing our build rate to align with market conditions, and made tough decisions like planning to sell our Parnell land.

Subject to economic conditions we look forward to continued growth in the year ahead.

Finally, on behalf of the Summerset Board and management, we'd like to thank our investors, residents and partners for your commitment to, and belief in, Summerset's goals and future. We'd also like to thank our Summerset team, their families and their support networks for another very successful year.

Mark Verbiest
Chair

Scott Scoullar
Chief Executive Officer

Management commentary
(no financial statements)

SUMMERSET STRATEGY

Summerset's strategy covers our short- and long-term goals for the next 10 years. It helps us prioritise our work to ensure we stay on the path that points toward our purpose: to bring the best of life.

Three principles guide us in the strategy:

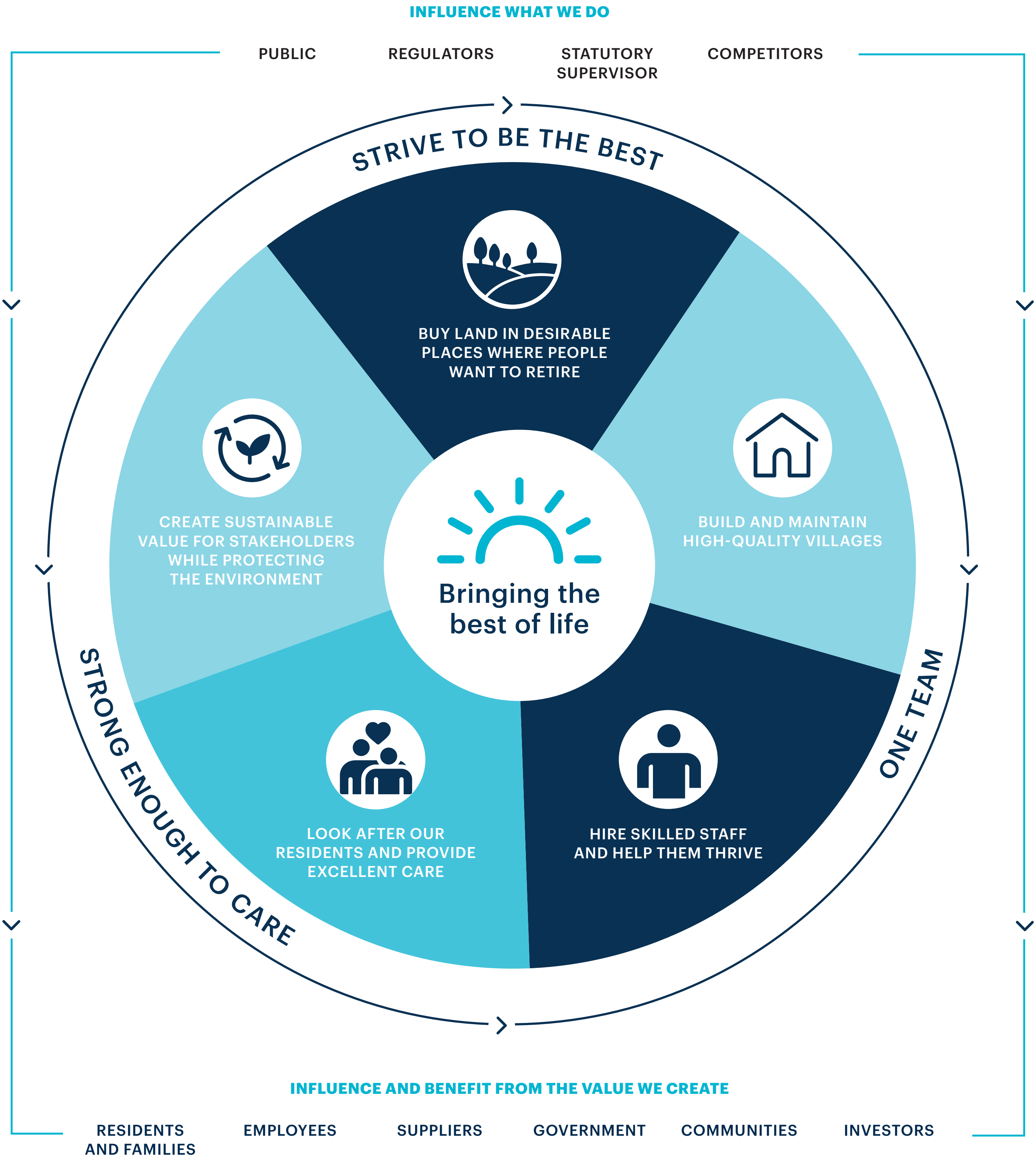
- Our people lead the change
- Provide our residents with the best life
- Deliver appropriate returns to the shareholders who help fund our business

We have six strategic pillars, each with a number of initiatives under them, that we'll pursue over the next 10 years to grow and continue delivering great experiences for our residents and staff.

Our pillars are: Invest in our People, Deliver New Zealand's best retirement villages, Grow in Australia, Be a good corporate citizen, Create attractive new products and services and Be a more efficient and effective business.

Management commentary
(no financial statements)

DELIVERING VALUE TO OUR STAKEHOLDERS



Management commentary
(no financial statements)

DIVERSIFIED PORTFOLIO

We benefit from a geographically diverse portfolio that gives us the flexibility to adapt our build rate depending on local market conditions. For investors, we are primarily a growth stock, with a clear strategy to continue expanding in New Zealand and Australia.

BUILD HIGH-QUALITY ASSETS

We pride ourselves on building and maintaining villages that are well designed, well located, and that enable our residents to interact with the community. Our expanding geographical presence is based on being in growing regions with strong potential for investment gains.

HIRE SKILLED STAFF AND HELP THEM THRIVE

We recognise our people as our most important asset. They underpin our ability to deliver the best of life to our residents. We celebrate their diversity and are committed to ensuring all our staff are well remunerated, motivated and safe.

LOOK AFTER OUR RESIDENTS

We want our residents to feel secure and respected, and our consistently high satisfaction rates reflect that. We are also committed to our continuum of care model and providing residents high quality assistance should their needs change as they age.

PROTECT THE ENVIRONMENT

We have short-, medium- and long-term sustainability plans in place to reduce our carbon emissions intensity over time and to monitor our progress and performance. We significantly overachieved our first short-term goal by reducing our emissions by 16% from 2018-2022.

OUR PHILOSOPHY OF CARE

INDEPENDENT LIVING

5,027

Villas, cottages, townhouses and independent apartments

(TOTAL UNITS)

ASSISTED LIVING

1,060

Serviced apartments

(TOTAL UNITS)

SPECIALISED CARE

1,284

Rest-home care, Memory care, Hospital care

(TOTAL UNITS)

Snapshot

Our people

8,000+
Residents

2,800+
Staff members

96%
Village resident satisfaction

Our care

95%
Care resident satisfaction

1,284
Care units (which includes beds) in portfolio

1,338
Care units (which includes beds) in land bank in New Zealand and Australia

Our portfolio

6,087
Retirement units

$6.9b
Total assets
FY22 $5.8b

5,571
Retirement units in land bank in New Zealand and Australia

40
Villages completed or under development

1,103
Sales of Occupation Rights

11
Greenfield sites

Our performance

$436.3m
Net profit after tax
FY22 $269.1m

$190.3m
Underlying profit
FY22 $171.4m

$398.2m
Operating cash flow
FY22 $369.2m

Management commentary
(no financial statements)

Management commentary
(no financial statements)

2023 Highlights

FEBRUARY

Staff from Hawke's Bay and around the country pitched in to support residents during Cyclone Gabrielle

MARCH

To recognise the hard work and dedication of our frontline workforce in the villages we created a gratitude wall at every village for residents, their families and anyone else to publicly share messages of thanks to our people

Solar panels installed on our Karaka village's poolhouse

APRIL

Summerset's AGM was held in Wellington where Directors Andrew Wong, Venasio-Lorenzo Crawley and Fiona Oliver were all re-elected

MAY

Resource Consent granted for our Half Moon Bay (Auckland) village

Released our Sustainability Review ESG report detailing our five year sustainability journey

Management commentary
(no financial statements)

JULY

Summerset's "Think Green" programme won the RVA's Operator-led Sustainability Award

AUGUST

Summerset wins gold for "Group Provider Nationwide" in Aged Advisor's 2023 Peoples' Choice annual awards.

SEPTEMBER

Pohutukawa Place (Bell Block) main building officially opened with New Plymouth District Mayor Neil Holdom

OCTOBER

Chris Lokum joins summerset as the new GM People & Culture

Summerset's Annual Applause Awards held in Auckland to recognise high performing staff and teams across the company

NOVEMBER

Winners of the Reader's Digest 2024 Quality Service Award for the Retirement Villages category.

Resource consent granted for our Kelvin Grove (Palmerston North) village.

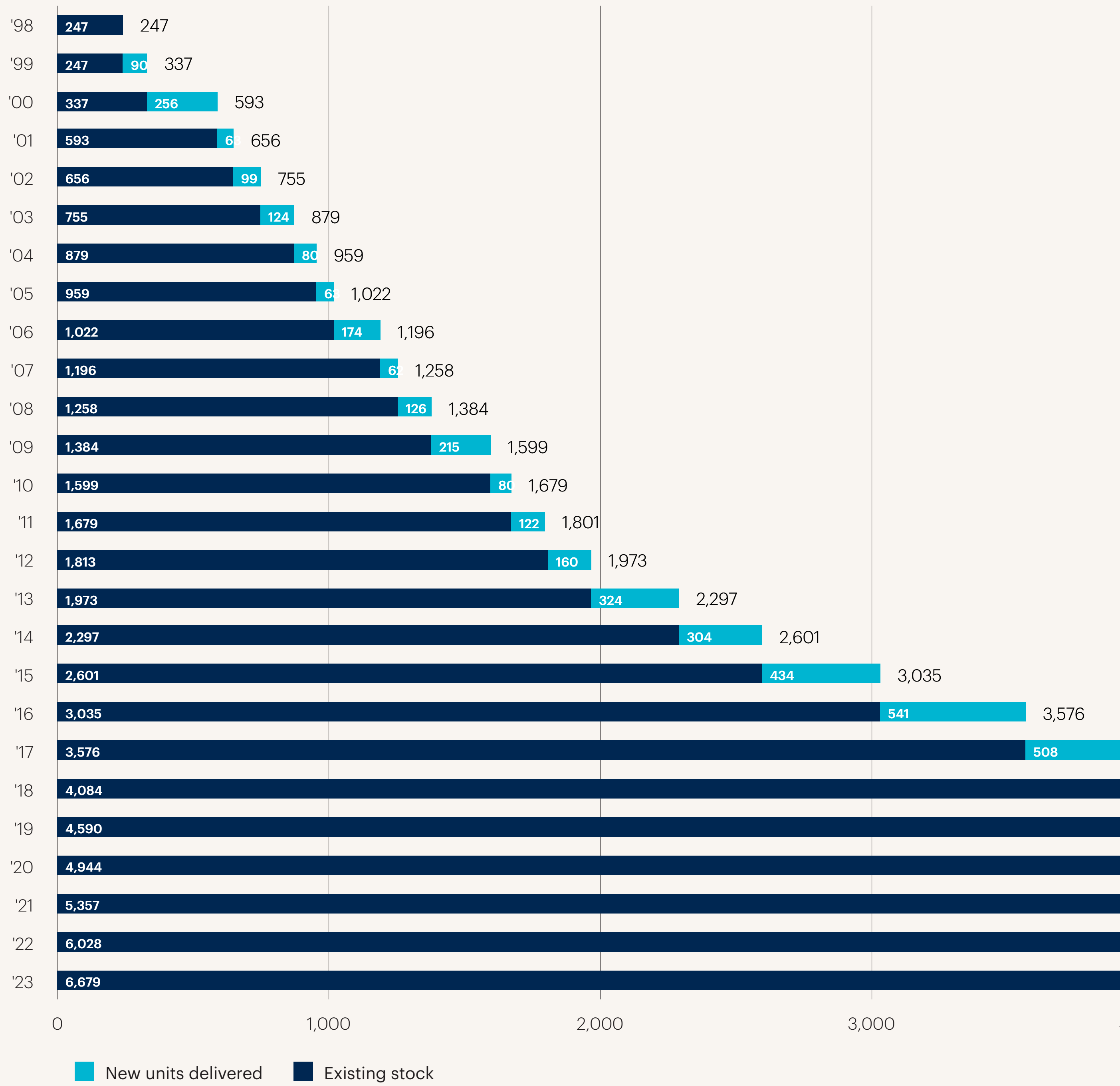
DECEMBER

Summerset Cranbourne North's first villas delivered

Management commentary
(no financial statements)

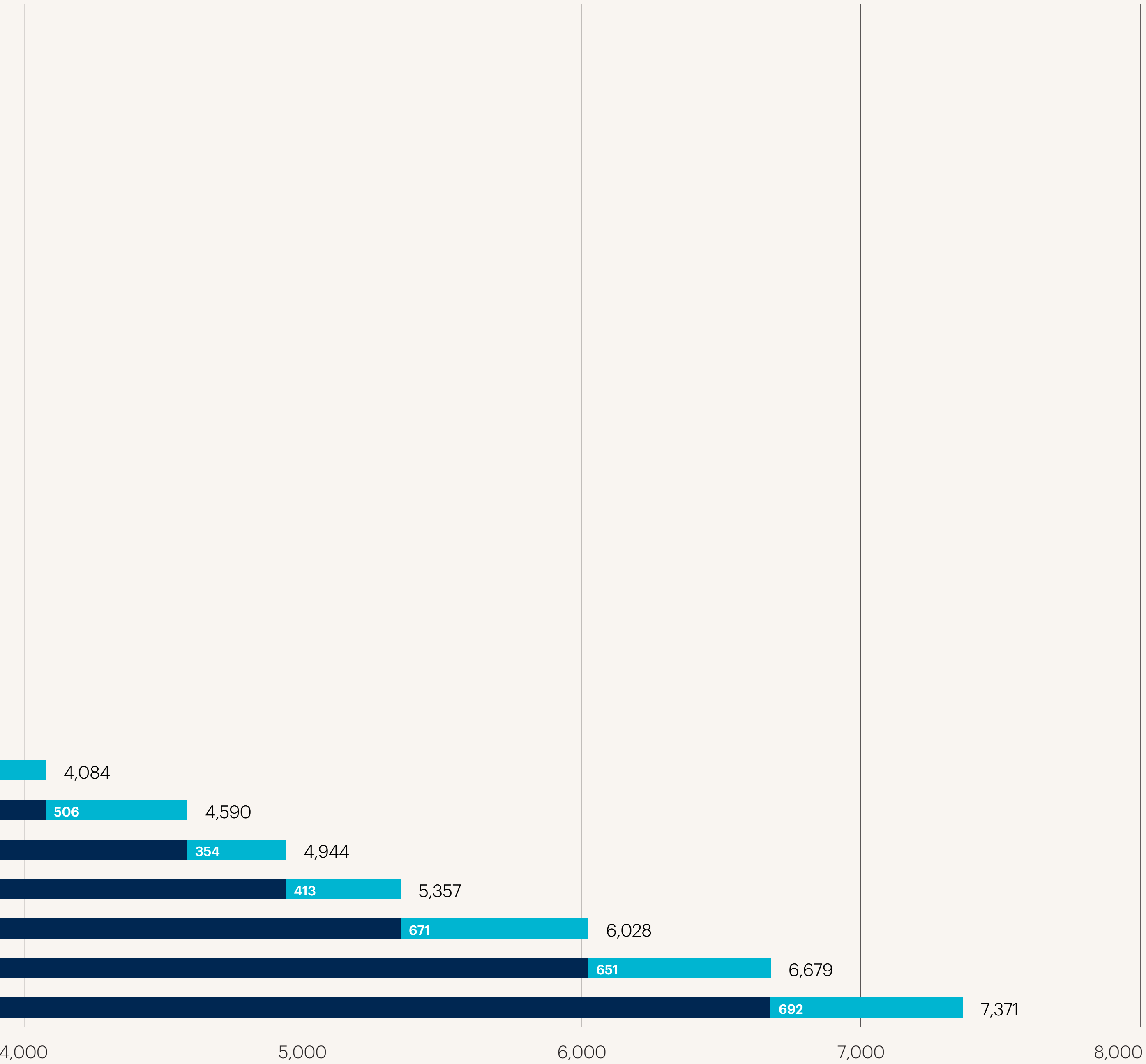
Portfolio growth

25 years of consistent growth and delivery (total units[1] in portfolio)



1 *Units include all retirement units and care units (including care beds)*

Management commentary
(no financial statements)



Management commentary
(no financial statements)

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(no financial statements)

Our people and community

We're proud to be home to more than 8,000 retirement village residents. Our vibrant and diverse communities are built, run and supported by over 2,800 staff.

Bringing the best of life is Summerset's purpose, and we value and recognise our people who are at the core of delivering this to our residents. Our business functions across Australasia are multi-faceted – we employ a diverse range of roles to design beautiful villages, construct high-quality homes and buildings, give our residents amazing experiences and care, and bring new residents to live in our villages every week.

For more than 25 years, Summerset has been dedicated to creating retirement villages that go beyond providing homes and evolve into thriving communities. We were delighted to win the Aged Advisor's 2023 "Peoples' Choice Award" for Group Provider Nationwide, underscoring the genuine affection our residents have for the lifestyle we offer.

The award is based purely on independent reviews and ratings from residents and their families throughout New Zealand. We were very proud to get this endorsement from them to win this award.

Also, an outstanding achievement for us this year was being named winner of the coveted Reader's Digest 2024 Quality Service Award in the Retirement Villages category. To find those companies that provide the highest level of customer service and that truly understand and value consumer needs, Reader's Digest approaches everyday consumers to ask them to assess companies across five pillars of customer service. These prestigious awards have been running for ten years, and while we've been runner-up a number of times, taking top spot this year is a testament to our team's commitment to bring the best of life.

Emergency preparedness

In 2021 and 2022 the global COVID-19 pandemic challenged our teams to think and act differently in how we continued to safely provide the quality experiences that village life offers. As an aged care provider, COVID-19 was still with us in 2023 and impacted a number of our care centres; however, our skilled teams have managed to care for residents while safely continuing visits. It meant we didn't have to close our care centres to visitors (except under special circumstances) like we'd had to in previous years.

The challenges of extreme weather events earlier in the year further strengthened our resilience and adaptability to focus on the needs of our residents and staff. Particularly in Hawke's Bay with Cyclone Gabrielle, we were able to lean on our exceptional people throughout the business who assisted with the logistics of procuring additional generators, food and supplies, as well as filling in for staff who had been personally affected by the event.

We are very proud of the lengths that our people went to in finding and delivering these solutions and in ensuring that our residents and their families were able to keep in touch either directly or through our regular communication updates during a very difficult time for the region.

Engaging residents

We pride ourselves on the opportunities socially, physically and mentally that we can provide our residents to bring them the best of life, and our annual resident engagement scores are an indicator of how well we're getting those experiences right. This year, 96% of village residents tell us that

Management commentary
(no financial statements)

Team Heritage - Summerset at Heritage Park - Ellerslie, winners of The Great Summerset Challenge

they are very satisfied or satisfied with their experience, which is an improvement over 2022. For our care residents, 95% are very satisfied or satisfied, with many praising the professionalism and care they receive from our staff.

We maintain a continuous listening approach to drive improvements that our residents tell us are important to them, surveying our residents regularly on a number of aspects of village life to understand what is and isn't working for them. This allows our village managers to understand and change things at their village quickly to better reflect the needs and wants of their residents.

We've also committed this year to ensure we're keeping all our residents and their families better informed about what we're doing to bring the best of life and to bring in innovations they've asked for. This led to us launching a quarterly email newsletter – Your Summerset – providing regular updates.

A desire to bring loved ones closer together was at the heart of a new "Holiday Homes" initiative we started trialling in February this year. The trial involved three villages offering short-term accommodation exclusively for Summerset residents, families, and friends in the village.

It offers on-site convenience and best value for money for residents and their families in a fully furnished, comfortable, self-contained apartment. During the trial we had apartments available at our Hobsonville, Hastings and Richmond (Nelson) villages and it allowed residents to travel and stay in familiar surroundings and the opportunity to host their family in their village. There has been a lot of demand and bookings so far and we intend to roll this out further in 2024 with a view to doing this nationally over the coming years.

Events and experiences

Our "Summerset Sessions" continue to provide an exciting array of events and entertainment that residents can enjoy in person or online. The programme includes events, concerts, cooking lessons (with former MasterChef winner Brett McGregor) and interviews with well-known Kiwis. Various Summerset Sessions were held at villages around the country and were filmed at the same time so they could be enjoyed on-demand.

We've also created a few new events and initiatives this year including:

- "A Summerset World", a video series filmed at each village that highlights the vibrancy and variety of village life and showcases the residents who call it home.
- "The Great Summerset Challenge", a general knowledge quiz for teams of residents. Our first nationwide inter-village

competition saw teams of village residents from across the country competing in six regional events to earn a spot in the grand final held in Wellington. The events were live-streamed for fellow village residents and staff to enjoy and cheer on their talented teams. Congratulations to Team Heritage from our Ellerslie village who took out the inaugural title.

- "Summerset's Best Garden Competition", a seasonal event to showcase how talented our residents are at tending to their gardens, plants and veggies, judged by top New Zealand landscape designer and well-known TV and radio host Tony Murrell.

We also continue to invest in technology that enhances the lives and experiences of our residents. After a successful trial in Kenepuru of the Lumin platform, we launched the product at the village and installed it at six other villages in 2023.

Lumin is run through a dedicated 17-inch tablet and allows residents to stay connected to village life from the comfort of their home, providing the ability to receive newsletters, instant messages and emergency alerts from the village team, view and book village activities, special events and outings, and to connect with fellow residents and loved ones.

We plan to roll Lumin out further in 2024 across another eight villages.

Enhancing our services and our care

We continue to introduce and roll out new measures and initiatives to improve the lives of our residents. Our care offering, and our continuum of care model, is a very important part of why our residents choose us, and we want to adopt relevant best practice to bring the best of life to our residents.

During 2023 we opened three village centre buildings in our Kenepuru, Bell Block and Te Awa villages, which in addition to a range of beautiful village amenities also contain our serviced apartments and state-of-the-art care and memory care centres. These new facilities have allowed us to develop new initiatives in our continuum of care offering in those villages, including the introduction of care apartments. Our care apartments are certified to provide care to residents right up to hospital-level which means that residents can purchase a care apartment and can remain in their home even if their needs change.

It also gives couples the ability to remain in the same home even if they have different care needs. Our care apartments have been very popular and are selling very well.

In the care centres, we have commenced a move to a household model approach, creating smaller, family grouping sized environments which help to grow relationships and create a sense of home.

We continue to focus on providing high-quality aged care for our residents already living in our care facilities, and offering an ongoing continuum of care with guaranteed priority placement for our village residents. Our care business saw occupancy rates this year at 93% in our developed villages.

In addition to investing in new care facilities in new villages we are committed to progressively upgrading our older care centres. Our care centre refurbishment programme has progressed well at our Havelock North, Trentham and Levin villages, where extensive refurbishment work at all three villages is underway to modernise these facilities and meet the needs and expectations of our care residents and their families.

We recognise that it is not always easy on our residents and their families when we close a care centre in order to upgrade it, and our team worked very closely with them to ensure minimal disruption in moving to alternative temporary or permanent accommodation while this work was undertaken. Where possible we've given our residents the opportunity to move into another Summerset care centre if they'd like to, and for our Trentham residents we have temporarily leased Kelvin House, a facility eight kilometres down the road where they can receive care while their homes are refurbished. This has also allowed us to keep our staff with us and provide continuity of care.

We are also investing in equipment and technology to make our care residents more comfortable and to maximise the effectiveness of their care.

This year we've commenced installing ceiling hoists above beds in all our care centres to aid residents with mobility difficulties. The ceiling hoists are far more comfortable, and residents tell us they feel safer than the manual hoists. They're also easier to operate for our staff and reduce the risk of strains when assisting a resident to move.

We have also completed a successful pilot of the app version of our resident and care management software. The app allows staff to enter resident care information at the time the care is delivered, with the benefit of saving staff valuable time to spend with residents directly, and also ensuring that the resident information is shared efficiently and effectively among care team members. We will be rolling this out to all our care centres in 2024.

Older people continue to enter aged care services with complex health and support needs and deserve excellence in clinical care from appropriately skilled staff.

Alongside continuing our work with medication optimisation we have

Management commentary
(no financial statements)

focussed on falls prevention and management. For older people it is important to balance the risk of harm alongside enabling their independence and participation in activities. Best practice informs us of the need to reduce loss of muscle for older people and maximise bone health. We have focussed on boosting prescription of vitamin D for residents, and boosting protein and calcium in food offerings. These initiatives are delivering positive results for residents in relation to harm from falls and unintended weight loss.

Sector funding

Summerset, and many other aged care sector operators, continue to be very concerned about underfunding in the wider aged care sector. The population of New Zealanders over 85 is set to triple over the next 25 years, and estimates indicate that at least another 40,000 aged residential care beds, including those providing hospital-level care, will be needed.

Instead of the necessary growth, underfunding contributed to 1,000 aged care beds being permanently closed across New Zealand in the past year, and with nowhere else to go our elderly will fall back on the public health system.

Successive governments have failed to invest in aged care, and the sector has become unsustainable. The former government made some changes in the year: increasing the funding to aged care facilities with a lift in remuneration for aged care nurses to reduce the pay gap compared to public hospital nurses, and a five percent cost pressures increase which was added to the funding for nurses.

These increases were collectively expected to be 11%, and while that was a meaningful change, it only largely covers the inflationary pressures operators have faced over the last 12 months and does not address the systemic pressures the sector is under.

Also, while the nursing pay disparity was reduced, it was only a temporary change as Te Whatu Ora also increased pay for public sector nurses last year. Nurses in the public sector continue to be paid significantly more than aged care nurses and this only increases the challenges for the sector to attract people. It's estimated that there are more than 1,200 nursing vacancies in the sector (nearly 25% of nurses required).

We continue to support the New Zealand Aged Care Association (NZACA) in their work to highlight the underfunding of aged care. This year NZACA ran a compelling campaign highlighting this risk, called the Domino Effect. Without aged care beds, more elderly New Zealanders will end up in hospital beds which will impact all New Zealanders who need hospital care.

Not only that, the cost of providing a hospital bed is $1,700 a day, four-and-a-half times the break-even cost of providing an aged care bed at $372. At the moment providers receive approximately $170 per day for an aged care bed, far below what they need and it means small providers are closing their doors.

Our message is clear - the current situation is not sustainable, nor is it fair to New Zealanders and we'll continue to advocate with health officials for a more equitable outcome.

Regulatory environment

We welcomed the review of the Retirement Villages Act 2003 led by the Ministry of Housing and Urban Development (MHUD). In August, MHUD released a public discussion paper seeking views on a number of proposed changes to the Act.

As in every industry around the country there are a range of practices between the different operators in the retirement village sector and some have terms that are fairer than others. We welcome these reviews, especially where it requires operators to raise the bar if they are not already doing so.

Summerset is broadly aligned with the proposed changes from MHUD and we do not engage in the vast majority of the practices the review is seeking feedback on. For instance we do not charge weekly fees after our residents have vacated their units, we don't charge additional fees for maintenance or repairs and our advertising does not guarantee services which are subject to availability.

We have developed plain English, clear and fair contract terms and conditions for our residents. We work hard to make sure people joining our villages around the country have easy-to-understand contracts and, of course, all residents must get independent legal advice before they join one of our villages.

Lifting our profile

In New Zealand, the retirement village sector is a highly competitive environment, with 2023 being the most competitive we've seen in media investment across the main players in the sector.

Despite this heightened activity our independent research shows that Summerset has continued to hold the number one position for consideration amongst our core audience. This means that Summerset is not only top of mind for our audience, but also a brand of choice when making the decision to move into a retirement village community.

We pride ourselves on being one of the best performing in the sector in converting advertising spend into leads for our sales team. This year we have seen 22% year-on-year growth

Bringing vibrant experiences to our residents with the Silver Ferns

in lead generation to support our sales pipeline.

Ahead of the opening of our Cranbourne North village in Australia, we began marketing in the local media and via community engagement activity to tell our local target audience who we are, our depth of experience and what we have to offer. We will grow both our brand and presence as we open more villages and expand our Australian footprint.

We are proud to be increasing the range of organisations we're supporting, and finding sponsorship opportunities that align with our brand and our values.

In October we announced our relationship as naming rights partner for the GT New Zealand Championship, the premiere motorsport class in New Zealand. As a brand that is about retirement being a time for new adventures and the freedom to pursue hobbies and passions, partnering with motorsport was a perfect fit. The 2023/24 Summerset New Zealand Championship consists of a five-round series over five months and commenced in November 2023.

We provided our continued support through partnerships with organisations in key areas that are important to our residents and their families:

- Netball NZ – We had an active and vibrant programme throughout the year, including hosting Silver Fern fan engagement events in our villages. We also hosted game-day match experiences and held a competition with the prize of seeing the Silver Ferns playing in Melbourne.
- Wellington Free Ambulance – In addition to kick-starting the annual appeal drive for Onesie Day with a $50,000 donation, our Wellington region village residents and staff, along with our head office teams, again supported the appeal by volunteering to be street collectors and holding fundraising events to support this much valued regional service.
- Hato Hone St Johns
  - We proudly support Hato Hone St Johns Therapy Pets. This popular community programme aims to grow and broaden its reach to bring animal companions to villages, rest homes, bedsides and classrooms around the country. The visits from the therapy pets are extremely popular at our villages.
  - We also support Hato Hone St John staff welfare initiatives and community health programmes, and this year we also saw our villages getting behind the annual appeal through a range of fundraising activites
- Alzheimer's NZ & Dementia NZ – We believe in the work Alzheimer's NZ and Dementia NZ do in diminishing the stigma and increasing the education around dementia. In recognising September's World Alzheimer's Month, we held a dance challenge in our villages

Management commentary
(no financial statements)

Summerset Avonhead winners of the Applause Awards Care Centre of the Year 2022, received by Care Centre Manager Raphelle Yabyabin

called "Boogie for Dementia", to not only raise awareness but also get our residents moving to improve their mental and physical wellbeing.

- Bowls NZ – Our partnership with Bowls NZ continues to go from strength to strength with the excellent exposure at national and local level through championship events.
- New Zealand Symphony Orchestra – We enjoy being able to bring cultural and enriching experiences to our residents. In addition to having in-village performances by small groups from the orchestra, we were also able to offer exclusive behind-the-scenes experiences this year, including attending live rehearsals and meeting the musicians.

We also like to give back to our local communities where our villages are and will be in the future. Over the year we worked with approximately 202 local community clubs and organisations, including bowls, golf, bridge and croquet clubs, Age Concern, Lions, Rotary, RSAs and more.

Engaging our people

Our people are exceptional and valued - without them we couldn't deliver a quality retirement living experience to the more than 8,000 residents who have made Summerset their home.

We strive to ensure we create a great place for them to work and thrive, and we are committed to the protection and promotion of their health and wellbeing so they can be at their best both at home and at work.

Our wellbeing programme provides an intranet hub with support tools that sit alongside a calendar of regular communications on wellbeing initiatives, spanning physical, mental and financial health. During the year we changed our Employee Assistance Programme (EAP) provider as we seek to evolve our offering to our people and better ensure they have the support available to them if they need it.

Recognising and celebrating the dedication, commitment and successes of our people demonstrates how we, and our residents, value them. We celebrate their exceptional hard work at our annual Applause Awards, which this year had a record of more than 1,500 nominations received across 34 categories.

Held in Auckland, our Applause Awards event, with 135 finalists in attendance, was a great occasion to celebrate our people. It was also a highlight to be able to live-stream the awards, meaning that fellow staff and residents could cheer on their finalists and celebrate alongside them.

In addition to those awards, and to allow our hardworking staff the opportunity to be recognised more regularly, we introduced the Surprise and Delight monthly staff recognition programme to support staff to nominate their peers for their exceptional day-to-day successes and achievements.

Management commentary
(no financial statements)

To increase engagement with our village and frontline staff, we completed a rollout of our digital signage platform, Vibe, in all our village staffrooms to better enable us to communicate with those staff who are often not at a computer to get information they may need, whether it's a village-specific notice or a national update.

We also recognised that the cost of living was impacting our people across the country and gifted 65% of our 2,500 staff a one-off payment of $250 to help with larger than expected bills or other necessities. We targeted the payment to those staff we identified as needing it the most in order to give them a meaningful amount.

We were pleased to see our work to engage our people reflected in our latest employee survey which returned our highest engagement score to date at 8.1.

Attracting and retaining talent

Now, some 18 months on from the reopening of our borders since COVID-19 restrictions, attracting talent in a highly competitive market continues to be challenging. This is difficult particularly in nursing and construction professions.

Employee benefits provide an opportunity for us to differentiate ourselves as an employer of choice in a competitive environment, and we are one of the market leaders in terms of our benefits package. We continue to enhance our offering and look to improve our engagement with staff through benefits such as enhancing our parental leave offering. All permanent Summerset staff are offered free health insurance and can receive an annual $1,000 in Summerset shares – two benefits which our people value highly.

Providing leadership and development pathways is important to us in both attracting and retaining our people.

Our Construction Management Cadet programme offers a pathway for motivated people to get hands-on, practical experience across a range of construction disciplines. After a minimum two years of work our successful management cadets graduate to be fully trained site supervisors or junior quantity surveyors. We commenced this programme four years ago with one cadet in Christchurch and now have six around the country. They are important roles for Summerset to create a talent pathway and to give talented and enthusiastic construction workers opportunities to progress their careers in a market-leading organisation.

In our villages we work with Careerforce to provide learning modules that upskill our frontline staff and allow them to increase their remuneration. Careerforce now marks all our modules so our motivated people can learn and grow.

Similarly, bringing our food services offering in-house has seen this side of our business evolve, and we have created ways to attract and retain hospitality staff with career pathways.

While we know there is more to do we are pleased to see our retention figures increase four percent against 2022 to 77%.

Building safety into everything we do

Creating safe work environments for our people and ensuring that we are leaders in health and safety is of the greatest importance to us, and this year we implemented a new three-year Health and Safety strategy.

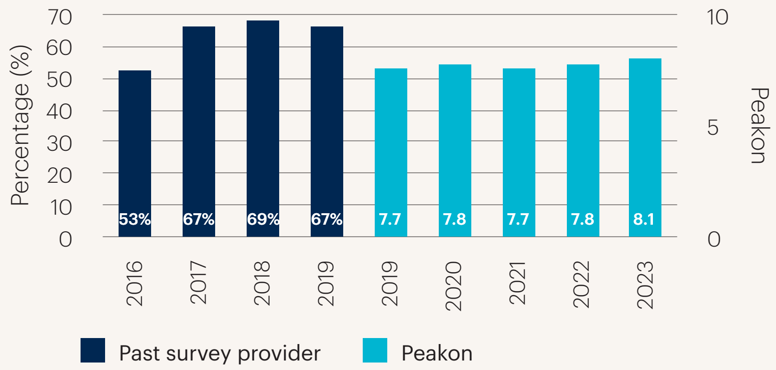
We are also rolling out a new Health & Safety monitoring system across the company in early 2024, Donesafe, allowing us to get even better at recording and analysing our incidents, issues and near misses to continuously improve how we keep our people safe.

Following the tragic incident at our St Johns site in November last year, where scaffolding contractor Michael Noche lost his life, Worksafe completed their investigation and advised us that they were not taking any action against Summerset. This outcome is welcome; however, we also haven't lost sight of the fact that this was a tragedy. We are committed to continuous improvement and undertook our own investigations into where improvements could be made.

Michael was working on what is called a 'temporary works' structure, and since the incident we have made a number of process and procedural improvements to make our people as safe as possible on these structures. Summerset is leading an industry working group to look at what can be done to make these even safer for all construction workers and we will be engaging with leading engineers.

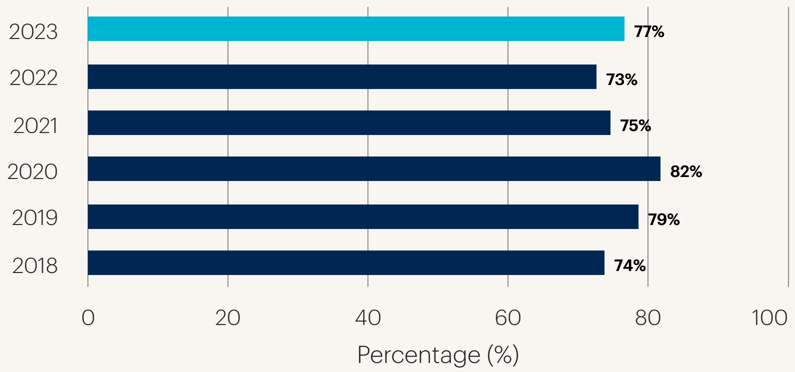
Management commentary
(no financial statements)

Staff engagement[1]

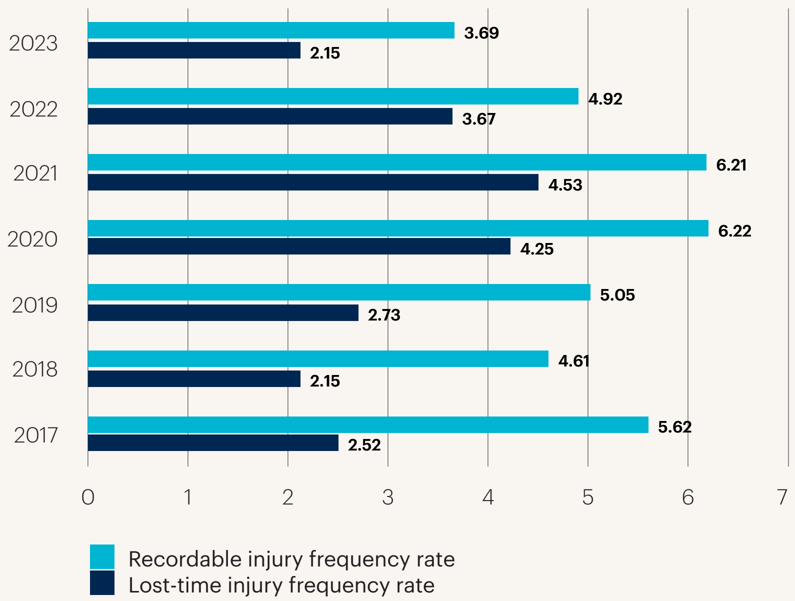


1 *Peakon was provided with the 2019 raw data to ensure year-on-year consistency, noting different scoring scales (67% = 7.7)*

Employee retention



Workplace injury rates (Summerset Group)



Management commentary
(no financial statements)

Our commitment to diversity and inclusion

At Summerset we celebrate diversity in all its forms and we are committed to an inclusive culture where everyone feels a sense of equity, inclusion and belonging at work.

We believe it's important to support our leaders to effectively lead their increasingly diverse and multi-cultural teams, and one way we have done this is delivery of our Creating an Inclusive Workplace training programme for managers.

The programme equips our leaders to deepen their understanding of others and create an inclusive team environment where all team members feel valued and appreciated, and can contribute to bringing the best of life to our residents.

This year we have also actively supported employee representative groups, including the establishment of the Summerset Pride Network and the continuing work of our Women in Construction Forum. We aim to seek equity and inclusion through building awareness of the challenges, celebrating the successes, and supporting the ideas of these groups.

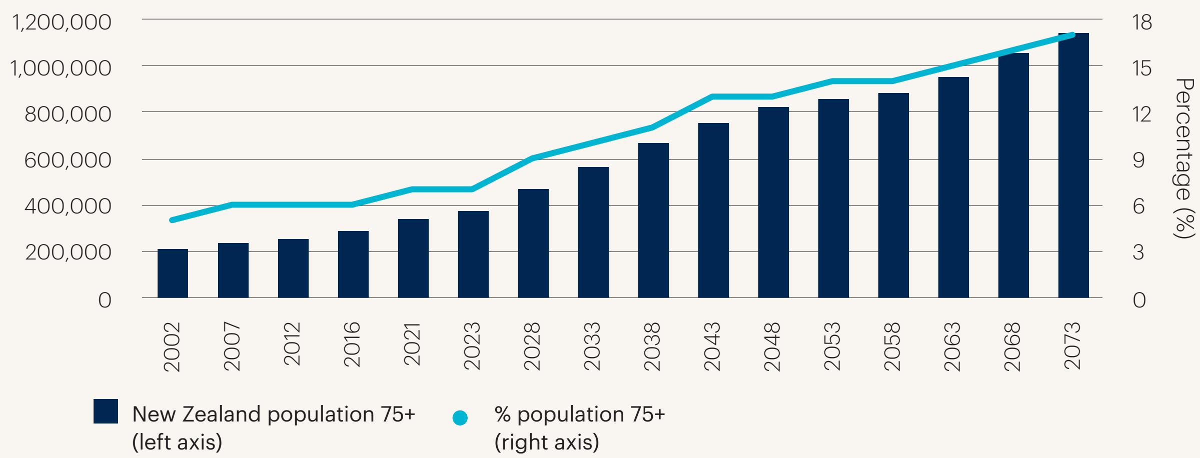
Annmaree Kane, Quantity Surveyor Administrator based at our Papamoa Site, a finalist for a NAWIC (National Association of Women in Construction) 2023 Excellence Award

Management commentary
(no financial statements)

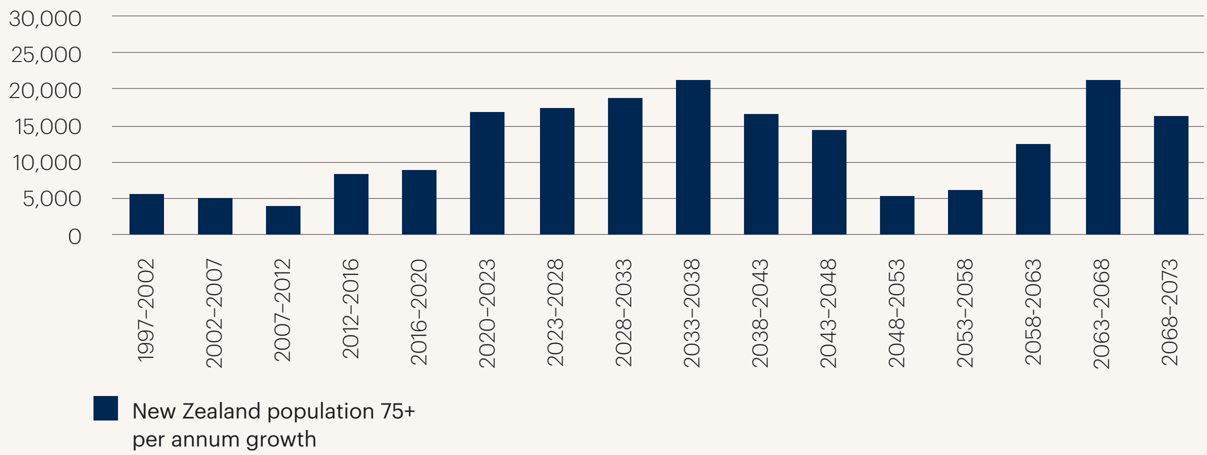
Strong wave of growth

The New Zealand population aged 75 and over is forecast to almost triple in the next 50 years.

New Zealand population 75+



Per annum New Zealand population growth 75+



Source: Statistics New Zealand – National Population Projections

Management commentary
(no financial statements)

Management commentary
(no financial statements)

Management commentary
(no financial statements)

Our villages

Despite a challenging start to the year with inflationary pressures and a volatile property market we have seen record sales and demand for our retirement living offering.

In 2023 our build programme has continued to perform, and we've delivered homes across New Zealand as well as our first Australian retirement homes. Even in an economic downturn we saw increased demand and interest, because our residents are motivated by many factors when deciding to live in a retirement village – a desire for more community, security, health changes, lifestyle and much more.

Record levels of interest

We experienced record levels of demand in our developing villages with record sales settlements and very strong presales. Our development pipeline remains strong to meet the growth of demand for our retirement living offering around the country.

It was a very busy year for our sales teams with four new villages welcoming their first residents in 2023 – Cambridge in March, Boulcott in August, Waikanae in October, and Milldale in December. All four new villages have sold consistently well since opening, particuarly Cambridge, achieving 30 settlements in 2023, followed by Waikanae with 11 settlements.

With the completion of main buildings at our Bell Block and Te Awa villages, we were also able to welcome residents into serviced apartments, care centres and memory care centres in those villages.

Presales commenced for our Blenheim village, with first residents to move in early 2024. Our multi-storey St Johns village in the heart of Auckland has seen strong demand and presales.

We also continued to generate record levels of interest with strong waitlists at our completed villages throughout the country. Our resale villages have very strong demand with Whanganui, Dunedin and Napier in particular seeing strong levels of enquiry.

While demand has been high and sales strong, we were mindful that cost of living pressures and the slowdown in the residential property market had the potential to delay settlement times and move-in dates for some prospective residents. In response, we were able to provide comfort to those considering coming into a Summerset village with a Moving Made Easy package at selected villages, offering six months to sell their home (double our standard offer), six months waiver of weekly fees, a contribution towards legal costs and a moving package.

To further support and encourage people considering one of our villages, we continue to grow our in-house moving services to support residents moving into our villages. We are the only retirement village provider offering this in-house service. The response has been so overwhelmingly positive we now have moving specialists based at key regions – Auckland, Hamilton, Hawke's Bay, Wellington and Christchurch, while also servicing our New Plymouth and Bay of Plenty villages.

To support prospective residents to prepare for their next step towards retirement village living, we have delivered highly successful downsizing and decluttering seminars. We have also added real estate seminars, partnering with local agencies to provide their expertise and insights, to assist not only our prospective residents, but also members of community clubs and groups to understand the current property market. These events have been very well attended, and valued.

We pride ourselves on our ability to listen, understand and be flexible to meet the needs of our prospective and existing residents, allowing us to continue to innovate our customer service to help people make what can be challenging choices about their retirement years.

Management commentary
(no financial statements)

Outdoor and green spaces like this one at Summerset at Monterey Park, Hobsonville, are important to residents

Strength in our building programme

We have invested approximately $500 million into our build programme this year, and we remain the largest constructor in the New Zealand retirement village sector.

Once again, we have successfully met our annual New Zealand build target, delivering 633 units to be sold under occupation right agreements. Our ability to deliver year-on-year ensures we are well positioned to meet ongoing increases in sector demand and we expect to deliver 675–725 homes in FY24.

All our villages under construction met their year-end delivery targets. There are a number of reasons for this achievement, including robust procurement, planning and consenting processes, and designing most of the villages in-house. We also have long-standing and reliable supply agreements that have enabled us to secure materials well in advance, and after supply chain constraints experienced during COVID-19, we are pleased to see timber and steel commodity pricing beginning to ease.

We have a very mature procurement programme and function, which has seen us through difficult and uncertain times, and our team were announced as finalists in two categories – Most Effective Team of the Year, and Transformation of the Year – in the New Zealand Procurement Excellence Forum's 2023 Awards.

Our construction teams were simultaneously building on 17 sites this year, including completing our main buildings at Bell Block, and Te Awa.

Our main buildings not only provide village residents with an array of amenities, but also contain our world-class care and memory care centres. During 2023 we also handed over the first homes at our Cambridge, Boulcott, Waikanae, Milldale and Blenheim villages, and completed our Kenepuru and Hobsonville villages.

Work at our St Johns village has gone very well and four of the seven multi-level buildings will open as a grand Stage 1 later in 2024, comprising the main building, care centre and 60% of all dwellings. At our broadacre sites we take a more staged approach, releasing smaller quantities of new homes as they're built. St Johns has up to 300 subcontractors working onsite at any one time and it's a testament to our team's planning and capability that we have continued to hit our deadlines and this great village is quickly taking shape.

The incredible views and location of the St Johns village, as well as the promised community and amenities we're creating there, have led to extremely strong presales activity with many of the penthouse and premium apartments already presold. When settled these will be among the most valuable retirement village homes in the country.

Management commentary
(no financial statements)

Summerset Palms village centre which opened in November 2023

Commitment to vibrancy and innovation

Bringing the best of life to our residents requires us to build vibrant villages with superior amenities that meet the expectations of our current residents and consider the future needs of our prospective residents.

Each village is designed with consideration to its unique surroundings, creating great indoor and outdoor spaces and features for our residents, their families and friends to enjoy.

Residents have told us they want more options and we're looking at how we can incorporate additions such as outdoor BBQ areas, winter gardens, indoor/outdoor golf ranges and children's playgrounds in future designs. This year our Te Awa village residents enjoyed our first installation of a pétanque piste.

We have commenced a redesign of our regional main buildings (RMBs) which are the heart of our villages containing resident amenities, and care and memory care centres.

The new buildings will be more contemporary in architecture and will be two storeys rather than three in our current design, with more flexible and scalable spaces that can be adapted to various uses such as private functions and family gatherings. In supporting our residents to enjoy social, active and healthy lifestyles there will be an increased emphasis on outdoor leisure and activities.

Amenities on offer will match those of the existing main buildings, such as pools, libraries, cafes and more but the buildings will be smaller overall in keeping with our aim to rationalise the scale of our care offering – ensuring we continue to meet the continuum of care requirements of our village residents. Larger care centres capable of accommodating people from outside the village are no longer economic to operate under the current government funding model.

For smaller areas or towns, we have designed a single-storey main building, and the first of these provincial main buildings (PMBs) will be built at our Blenheim village. Our PMBs are designed to be modular, allowing us to add or reduce different elements as needed, or as the area demands. For instance, we may not include memory care in all locations initially, but the PMB design means we can add that in the future should we want to.

Also boasting contemporary architectural design and a high-specification build, the PMB will have the added benefit of being delivered faster to residents. PMBs will also be more in keeping with the areas they are located in where large two-storey buildings are less common in the local environment.

The largest land bank in the sector

We continue to find quality sites to grow our business where we'll be able to introduce more New Zealanders to our retirement village lifestyle.

In New Zealand we were pleased to announce two new land acquisitions at Mosgiel (Dunedin) and Rolleston (Christchurch). Both sites are well appointed with excellent local amenities available to residents, and make strong additions to our land bank.

The site in Mosgiel will complement our existing Dunedin village and offer access to a high level of amenities and recreational and open space areas.

Rolleston is predicted by Statistics New Zealand to have the highest population growth in New Zealand over the next 30 years. Rolleston's attractiveness is driven by its easy access to Christchurch, and position as the primary satellite town for the Selwyn District. The site is our sixth in the Canterbury region.

The new sites will each offer over 300 units and further boost our land bank of units, the largest in New Zealand's retirement village sector. We have enough secured land to more than double the size of our current New Zealand business.

First deliveries from these sites are expected from FY26 onwards.

Earlier in the year, we gained consent for our Half Moon Bay development in east Auckland and construction will commence in 2024. We have also gained resource consent for our Kelvin Grove (Palmerston North) village, resource consent for a premium extension to the St Johns village, and we received the Minister for the Environment's referral to use the fast-track consenting process for our Rotorua village. A resource consent application is currently being processed for the Masterton village.

We also completed a strategic review of our land portfolio and decided to sell our Parnell site. Despite being consented and promising very good long-term returns, we elected to balance the portfolio and prudently manage our capital demands with a higher weight of more regional villages with short cash recycling profiles.

We are proud to be providing high quality homes at reasonable prices for retirees, and we have the capacity, the consents, and the development capability to continue to do so.

Australia expansion progresses

We achieved a major milestone in our Australian build programme this year completing the first stage of villas at our Cranbourne North village and look forward to welcoming our first Australian residents to the Summerset community in early 2024.

Cranbourne North was our first site to be consented and commence construction in Australia. The second stage of the development is progressing well, and work will commence on the village's main building in 2024. With the delivery of these first units our team has also expanded as we appointed our first Village Manager and Sales Manager in Australia.

Once complete, the village will provide a variety of purpose-built homes including two- and three-bedroom independent living villas and townhouses, as well as serviced apartments for residents requiring extra support. There will also be extensive recreational amenities and aged care onsite, offering options for residents in our aged care or memory care facility.

Enablement works are underway and construction will begin shortly at our Chirnside Park site. In November we held a traditional Smoking Ceremony at the site, performed by local Wurundjeri elders (the traditional owners of the land), a significant Aboriginal custom that cleanses places and people of bad sprits, to promote the wellbeing of our people and guests in attendance.

At the end of June, we were very pleased to receive consent for our Oakleigh South site from Victoria's City of Monash Council and will begin construction early in 2024. The Oakleigh South site is our first inner suburban approval for a boutique medium-density village, and it is important to note that the upfront funding required to build this village is similar to our broadacre village model. We undertook extensive community engagement to ensure we developed a proposal that met the community needs and expectations and were pleased of the local community support we received.

Our Cragieburn site achieved consent in January 2024 with the Hume City Council approving the Planning Permit Application.

Planning processes are continuing well at our three other Victoria sites at Torquay, Mernda and Drysdale, as we build a strong land bank and have a high percentage of our sites consented to provide our build programme with the flexibility required as demand and supply necessitates.

Australia offers huge growth opportunities for us and we're very pleased with the progress we have made there. We're looking forward to delivering more homes and villages in the coming years, and we have begun the process of looking beyond Victoria as part of our expansion strategy.

Management commentary
(no financial statements)

Staff and guests celebrating the sod turning and smoking ceremony at our second Australia site, Chirnside Park

We will seek to grow our land bank in Victoria, but in parallel to this growth we have started to investigate opportunities in Queensland, as we believe it is the next logical step in expanding our Australian operations.

Queensland appeals as it has supportive residential house prices and strong forecast population growth. The state also has a favourable lifestyle appeal to our target audience and is supported by excellent economic growth prospects and development opportunities.

Building our land bank in Queensland also provides us with greater diversity in our portfolio and ability to adjust our Australian build programme based on market conditions, similar to our development approach in New Zealand.

Australian Reconciliation Action Plan

Summerset is founded on a deep respect for people, striving to be the best and bringing the best of life. As our business develops in Australia, we recognise the importance of taking affirmative action towards reconciliation efforts, and we wanted to acknowledge the enduring connection of Aboriginal and Torres Strait Islander peoples to the land over tens of thousands of years.

We initiated a Reflect Reconciliation Action Plan (Reflect RAP) as our first step towards supporting the self-determination and recognition of Aboriginal and Torres Strait Islander peoples, and this has now been formally endorsed by Reconciliation Australia. With our current and future team, we aim to embrace diversity, cultivate an inclusive work environment, and enrich our business with the knowledge to champion reconciliation efforts. As Summerset grows, our villages will become home to thousands of older Australians and workplaces for hundreds, fostering diverse communities.

We crafted our Reflect RAP to promote education and cultural awareness in our villages, empowering both residents and employees to participate in reconciliation events. Additionally, it supports our efforts to establish meaningful relationships with First Australian businesses and local communities, actively supporting endeavours for reconciliation.

Throughout the plan's development, we partnered with a local Victorian artist Sam Richards from the Wurundjeri and Dja Dja Wurrung people. The beautiful artwork she has created, unveiled at our Chirnside Park Smoking Ceremony, embodies our core values of Bringing the best of life, Strong enough to care, and One team, and symbolises Summerset communities, illustrating staff and residents coming together to share knowledge, strengths, and experiences.

Management commentary
(no financial statements)

Our villages

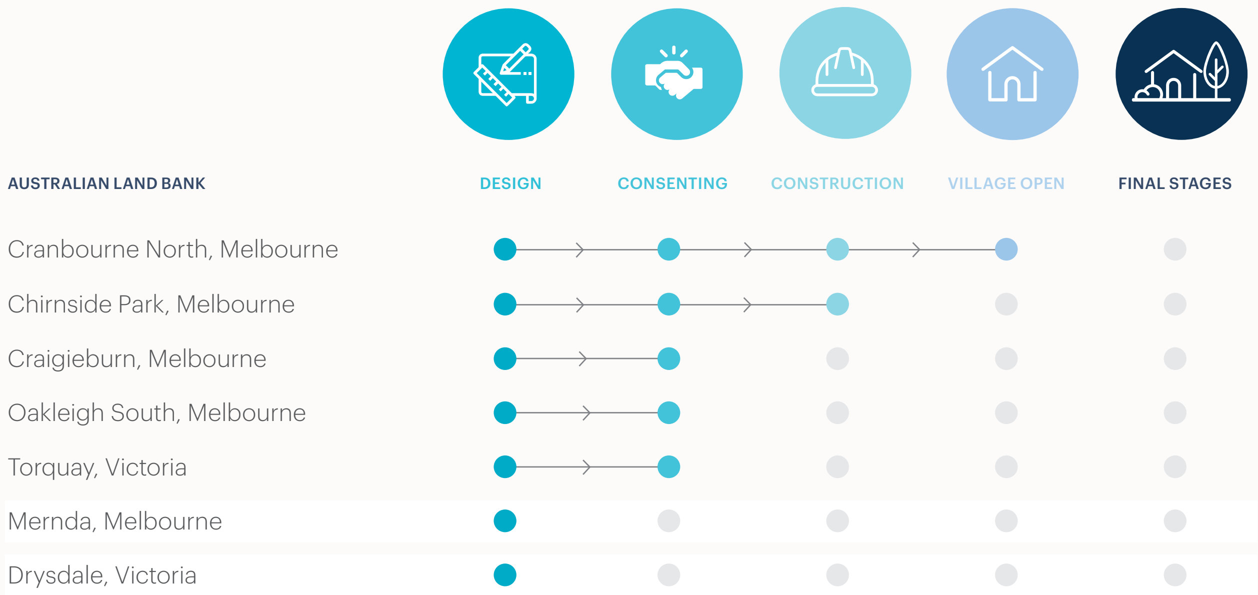
Management commentary
(no financial statements)


North Eastern Melbourne
Craigieburn
Mernda
Eastern Melbourne
Western Melbourne
Chirnside Park
MELBOURNE
Oakleigh South
Bayside
Greater Geelong
PORT PHILLIP
Southern Melbourne
Cranbourne North
Drysdale
Frankston-Mornington
Torquay
NORTHERN TERRITORY
QUEENSLAND
WESTERN AUSTRALIA
SOUTH AUSTRALIA
NEW SOUTH WALES
Victoria
5
2

Our pipeline

* New sites purchased

Management commentary
(no financial statements)




Construction work at our first Australian village, Summerset Cranbourne North

Management commentary
(no financial statements)

Management commentary
(no financial statements)

Embedding sustainability

We are committed to our sustainability goals and in everything we do aim to be a good corporate citizen. In 2023 we took further steps to embed sustainability and sustainable practices across our business.

We have also taken further steps to enhance our reporting to give our staff, residents, shareholders and other interested stakeholders an understanding of our sustainability performance and activities.

In May 2023 we released our Sustainability Review FY18–22 which documented the first five years of our sustainability journey since we began measuring our impacts in 2017. This was our first steps into ESG (environmental, social and governance) reporting, and shows how we are contributing and working to have an impact beyond just the environmental aspects of our operations.

In 2023 the government legislated new disclosure requirements for large listed companies to outline the potential negative impacts and risks of climate change on business and society, and how we will mitigate and adapt to the effects.

Alongside this Annual Report we have released our Sustainability Review and Climate-Related Disclosures FY23 document which includes our mandatory climate disclosures. We believe the new disclosures are a positive step in transparent reporting.

Below we have provided a high-level update on our sustainability activities with more detailed information available in the Sustainability Review. Our Sustainability Review and Climate-related Disclosures FY23 report is available on the Summerset website at www.summerset.co.nz/investor-centre/esg-reporting/.

We were very pleased to be again recognised by Forsyth Barr in their second Carbon and ESG Ratings for NZX-listed companies. We retained our place at 11th, and were noted by Forsyth Barr as a "leader" among NZX-listed companies. We were also the highest-rated listed retirement village operator. External acknowledgement of our work is very pleasing and helps validate our approach to date.

Environment

Summerset has made a number of changes to mitigate and reduce our environmental impact.

Across our villages, construction sites and offices we have focused on waste minimisation, carbon emissions reductions through our decarbonisation programme and operational efficiencies, working to determine how and where we use water, and protecting and enhancing our biodiversity efforts.

Our efforts have been recognised externally and in 2023 we won two sustainability awards.

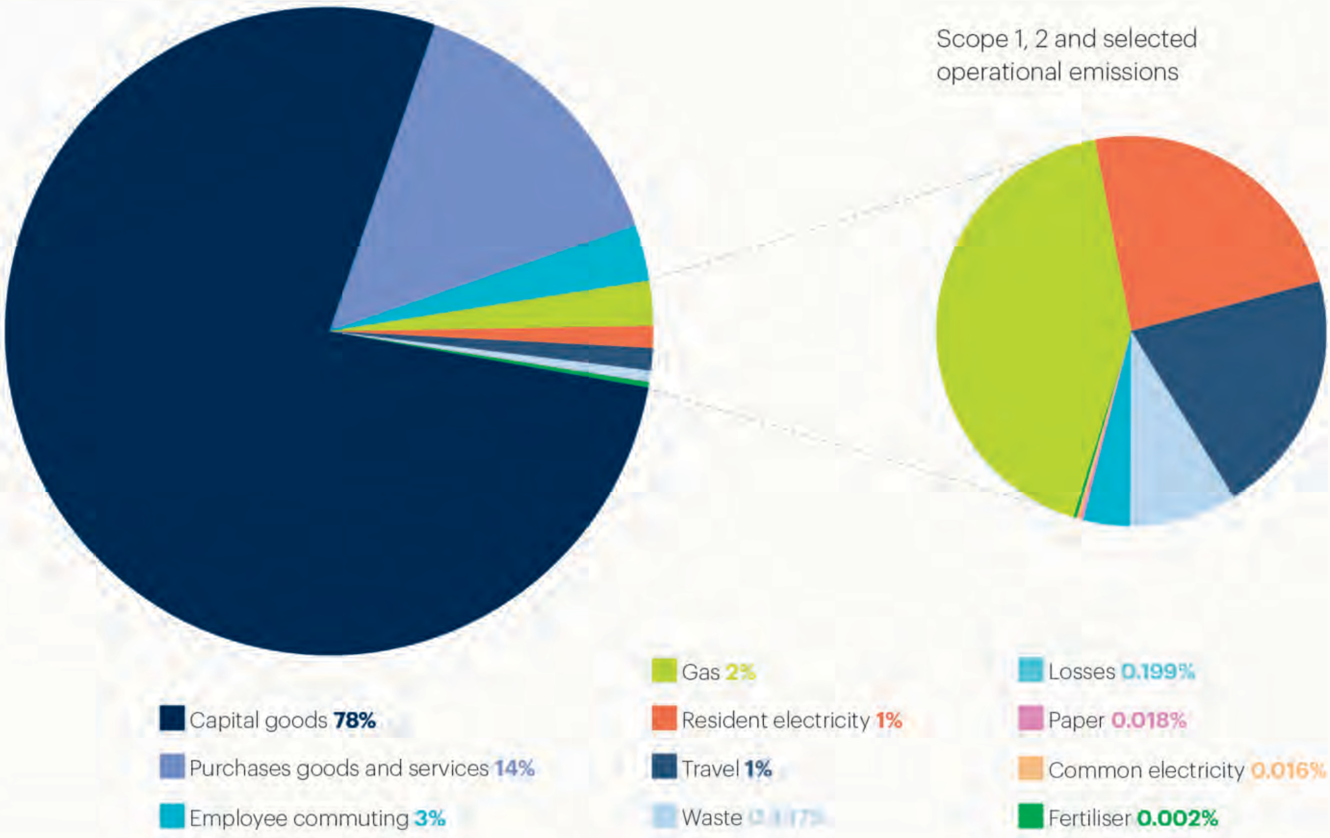
We won a Construction Sector Beacon Award for our entry titled “Building out Waste by Thinking Green”. The Beacons identify instances of excellence within the construction industry, offering valuable lessons and examples for other companies to follow.

The panel of judges said our entry showed, “A strong example not only of collaboration but of sharing and educating with the wider network for broader outcomes. A shining

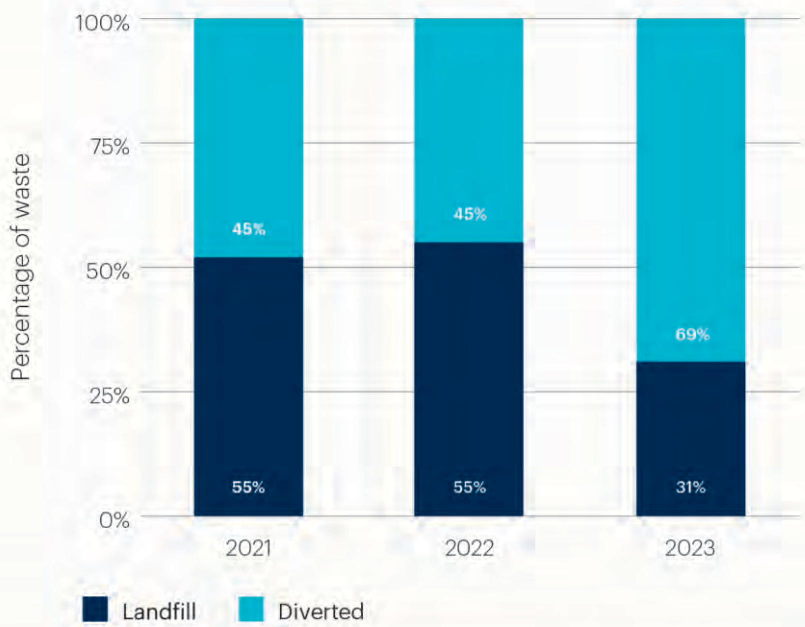
Management commentary
(no financial statements)

Emissions by source

Full value chain emissions by source



Construction waste diversion progress



Management commentary
(no financial statements)

example of how to embed learning across a site and empower people to challenge others' practices for the betterment of all."

As well as our construction waste avoidance we have worked hard to reduce the impact of our existing villages with LED light replacement programmes, installation of electric vehicle (EV) charging points and working with residents to reduce and recycle their waste. Residents across New Zealand have worked with us on many projects to reduce, reuse and recycle where they can, including taking part in NZ Recycling Week to learn more about how they can minimise waste and be more sustainable.

Think Green was recognised in the Retirement Village Association's Sustainability Awards where we won the Best Operator-led Sustainability initiative Award for our work over the last five years to reduce our carbon emissions.

The judges for this award said they were impressed with how much we'd learned, how we had embedded sustainability across the organisation, how we have taken residents on the journey with us, and our commitment to do more.

We know this is the beginning and we have more to do. As a business we're also looking at how we can decrease our embodied carbon. This is the carbon that is used and created in the construction process. Materials like timber create a lot less embodied carbon than concrete, for example, during the building process.

We have measured the embodied carbon of two of our key housing types – our Louisville and our stand-alone villas which are at many of our sites. We will use this information to form a baseline figure we can compare against and to help us refine future designs and reduce the embodied carbon found in these homes.

As our understanding and work around sustainability matures, we want to look at what materials and other aspects of our operations we could change to lessen our longer-term impacts. This might mean designing out unnecessary materials or activities, or removing or phasing out assets that create emissions, prioritising the use of energy-efficient equipment or renewable energy sources, or choosing materials that have a longer life cycle, or can be reused or recycled at end of life.

Water consumption is another focus for us in the coming years. We installed water meters at a number of villages this year and they're already providing us with a better level of understanding of our usage at village level in the areas of care, grounds and independent living residents. Over the next 12 months we'll look at how we can make water savings across the villages.

For more information on our environmental impact and work see page 8 of our Sustainability Review and Climate-related Disclosures FY23 report.

Social

As a retirement village operator, it is our impact on our residents, staff and communities that most defines us.

This is why one of our three sustainability goals is focused on creating caring communities for our residents and employees.

Summerset supports causes, charities and organisations that resonate with our residents and are part of the local communities of our villages, including Netball New Zealand, Hato Hone St John Therapy Pets, golf clubs, Rotary and more.

As well as the more than 190 organisations we support throughout New Zealand, Summerset's villages and construction sites play a large part in the communities they're located in, employing hundreds of people, supporting local businesses and providing high-quality, affordable homes, which frees up housing stock elsewhere.

One of our strategic goals is to "Invest in our people". We do this by providing a supportive and encouraging workplace where they can grow their careers. We also want them to be at their best both at work and at home so we support our staff's wellbeing with our wellbeing hub, encouraging them to be their full selves in the workplace with cultural celebrations and employee representative groups like our Pride Network. Summerset managers have also received Diversity & Inclusion and mental health awareness training.

Summerset also provides care and memory care beds across the country to not only provide peace of mind to our residents that they can access help if their needs change, but to provide a supportive, dignified and enjoyable care experience for them and their family.

While Summerset is committed to providing aged care, and can continue to do so, it is getting very difficult for smaller providers to continue operating due to inadequate funding. Summerset, along with a number of other aged care providers, supported the New Zealand Aged Care Association's

Domino Effect campaign this year to highlight the effects that a lack of aged care beds has on the wider health system.

With aged care beds closing around the country it will mean that more elderly people will need to be cared for in hospitals, reducing the capacity for other people to receive much needed health care. We continue to advocate for our industry so we can all continue the important work of aged care across New Zealand.

For more information on our social impact and work, see page 12 of our Sustainability Review and Climate-related Disclosures FY23 report.

Governance

To ensure we remain on track and meet our ambitious goals, strong governance and oversight is essential.

Summerset has a Sustainability Forum made up of executives, senior managers and other critical staff who are responsible for leadership, coordination and advice on our sustainability initiatives.

This team is overseen by the Summerset Board who receive six-monthly updates and reporting against our sustainability strategy.

In addition Summerset's Executive team are responsible for delivering sustainability projects in their business units.

For more information on our sustainability governance see page 16 of our Sustainability review and Climate-related Disclosures FY23 report.

Our emissions profile

Summerset's total emissions in 2023 were 102,926 tCO2e, which is an increase from our 2017 base year (5,381 tCO_2e[1]). As Summerset's portfolio grows and the number of villages in operation increases, our scope 1 & 2 carbon emissions will continue to increase. However, the growth in emissions per square metre of developed land decreased 58% when compared to our base year of 2017 due to greater construction, operational efficiencies and the sourcing of renewable energy. In 2023 we disclosed our full value chain scope 3 emissions for the first time, including category 1 capital goods, 2 purchased goods and services, and employee commuting category 7. This has resulted in a significant change to our emissions profile.

With most of our greenhouse gas emissions now in our value chain, we started work on establishing our procurement sustainability programme to work with our suppliers to drive down our scope 3 emissions and innovate lower carbon products and services.

We have commenced our supplier engagement programme through national and regional supplier forums focused on both material and product suppliers as well as service providers. We work hard to build strong relationships with our suppliers and through this approach we will successfully encourage our supply chain to continually

Summerset Wigram residents model recycled outfits

1 *FY17 has been restated as a result of historical emission factor changes*

Management commentary
(no financial statements)

improve in line with Summerset's sustainability strategy ambitions.

Our new short-term target

As well as being Toitū Envirocare net carbonzero certified, in 2023 we committed to a new five-year science-aligned target (baseline year of 2022) to keep us on track and ensure we are on the trajectory needed to be within the 1.5 degrees of global warming.

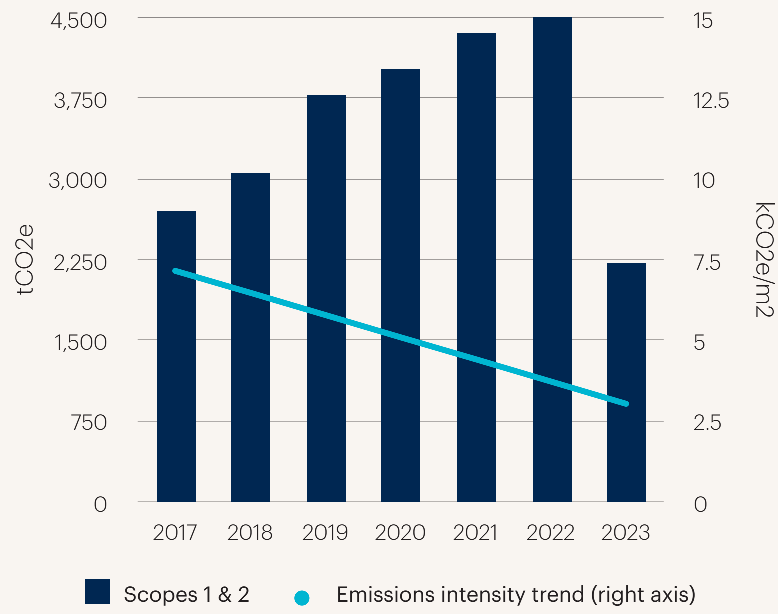
After more than achieving our previous five-year target of a 5% reduction in carbon emissions intensity across scopes 1, 2 and selected 3 per $m of revenue by 2023, our new five-year target of a 34% reduction in emissions intensity per square metre by 2027 on baseline year 2022 is more ambitious and meets the Science Based Target Initiative target setting criteria.

Continued progress on our medium-term target

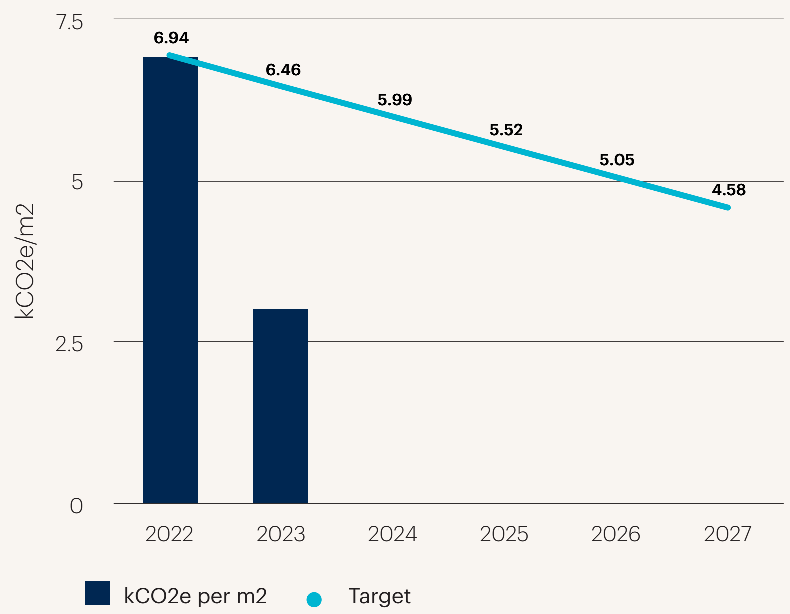
Our medium-term (2028) targets are based on our sustainability linked lending facility. We were the first retirement village operator in New Zealand to link sustainability to our funding arrangements, and during the year further illustrated our commitment by extending the facility for a further two years. All our bank funding is now sustainability-linked.

Our sustainability-linked lending allows us to get favourable rates by linking sustainability targets to our medium-term business strategy. It is also a way of keeping us accountable externally.

Scope 1 & 2 emissions profile



Short-term science-aligned target trajectory



Note: market-based reporting of scope 2 emissions from FY23

Management commentary
(no financial statements)


Looking South at Waikanae construction site with the mitigation Mahoe planting

There are three key deliverables associated with this arrangement: ongoing dementia certification and increasing supply of dementia beds; reduction in our emissions intensity; and a reduction in construction waste going to landfill.

We are very pleased with our progress – we have done an excellent job in reducing our construction waste and all 17 New Zealand sites we worked on this year practiced waste avoidance and onsite source separation. Since we implemented our site separation policy in 2021, over 6,000 tonnes of waste has been diverted from landfill.

Similarly, we met our carbon emission intensity reduction targets and we've set ambitious goals for the coming years to reduce further.

We continue to be dementia accredited and we opened memory care centres at our Te Awa and Bell Block villages. We plan to open more memory care beds in 2024 at Papamoa and St Johns so we are confident in meeting this target going forward.

Our long-term goals

We introduced our long-term science-aligned target in late 2020.

This target means we have committed to reducing our emissions intensity by 62% per square metre by 2032, from our 2017 base year.

With electricity use being a key element of our carbon footprint we recognise that we will need to move to more renewable energy sources to achieve our science-aligned target. We have taken a number of steps to start this process, including the introduction of a biomass boiler that uses wood pellets, and this year we've successfully introduced solar panels on the pool house at our Karaka village, the pool and gym building at our Manukau village and on the main building at our Richmond village.

Our Richmond village is the first to have solar panels on the main building and they're already seeing savings in kWh usage and cost on our electricity bills.

We've also scoped solar panels to be installed at all our future main buildings, with Whangārei and Cambridge the first two to be delivered in the coming years. We recognise reducing our absolute emissions is a challenge, particularly when we're growing so quickly and reducing our reliance on the national grid will help us to achieve this goal.

Other initiatives this year

We continue to replace the Summerset village fleet with EVs and we've installed more EV charging points at villages around the country. We now have nine villages with an EV available for residents to use as part of our car sharing programme.

Management commentary
(no financial statements)

We anticipate a further 10 EVs to be delivered into villages in 2024.

Our residents are also keen to help with sustainability initiatives. At our Avonhead village we realised that waste diversion was very low, so staff and residents worked together on the barriers that were in place. With simple changes like more recycling bins, food collection stations and more regular waste collections from our property team, the village was able to increase their diversion from 15% to 68% in a matter of months.

We worked to educate and engage our staff about how they can be more sustainable too – completing our first commuting survey to understand how our people get to work and how we can educate them on more sustainable travel. Following this survey, we are investigating a number of actions including the implementation of a staff Workride scheme, an employee benefit scheme designed to get more people riding to work and living healthier lives.

We continue to look for opportunities in our new and existing villages to increase biodiversity.

At our Waikanae village we replanted a mahoe forest adjacent to the village and have seen significant growth over the past year.

Our commitment to sustainability extends to our Australian villages too, with all villages being designed so they are gas free and 100% electric. Our Australian villages will also integrate initiatives such as drought-resistant landscaping, reticulated greywater use (where available), rainwater collection for use in the village, and water-efficient fittings and fixtures used throughout. Our Cranbourne North construction site is part of our very successful construction waste avoidance initiative, achieving landfill diversion rates of above 90% across the recent reporting period.

We're very pleased with the work we've done to date, and we remain committed to leading positive change within our industry.

As a business we'll continue our regular reporting and improving the activities and initiatives we're already undertaking dedicated to ongoing investigation and experimentation with new methods and technologies that will help us in achieving our sustainability goals and ensure we continue to advance our corporate citizenship in both New Zealand and Australia.

For further information please see our Sustainability Review and Climate-related Disclosures FY23 report on the Summerset website at www.summerset.co.nz/investor-centre/esg-reporting/.

Management commentary
(no financial statements)

Our performance

Artist impression of Summerset Cranbourne North

Management commentary
(no financial statements)

Summerset has delivered another year of strong financial performance and maintained balance sheet resilience despite a challenging operating environment.

Financial performance overview

Underlying profit for the year ended 31 December 2023 increased by 11% on the prior year to $190.3 million (2022: $171.4 million), driven primarily by record new sales and resales in the year. New sales increased by 23 units on the prior year (+4%), while resales increased by 73 on the prior year (+16%). We maintained our delivery of units to a similar rate on prior year of 643 (2022: 625). Realised gains on investment property are $209.4 million (2022: $175.1 million). Revenue for the year grew 14% to $272.2 million (2022: $238.7 million), reflecting village revenue growth from deliveries within our developing villages and continued high rates of care occupancy in existing villages. Profits from operations have reduced slightly on prior year, with three new care centres opening, which incur large fixed costs while occupancy builds up. We continue to see wages and costs increasing at a rate higher than the increases to public funding, in particular nurses wages, council rates, insurance, and power.

Long-term growth

A key component of underlying profit is the realised development margin on new sales, which was $121.2 million in 2023 (2022: $104.9 million). The increase was driven by higher volume of new sales on last year (+23 units) and improving margins from higher sales prices across the portfolio. The development margin was 31.6%, up from 29.7% in the previous year. We expect that development margins will be maintained within the 20–25% range over the medium term. Good margins reflect the advantage of having strong in-house capabilities for each stage of village development including land acquisition, planning, consenting, design, procurement and construction management. We continue to work to manage cost inflation across our build pipeline through leveraging from scale, standardisation and mature procurement planning.

Summerset continues to maintain the largest land bank for a retirement village operator in New Zealand.

We acquired two new sites in New Zealand in 2023. These are Rolleston (Christchurch) and Mosgiel (Dunedin). This brings our total land bank to 6,909 units.

Summary of sales and developments

Summerset had another record sales year, with 1,103 unit sales of occupation rights (2022: 1,007), 560 of them new unit sales and 543 sales of existing units. Average gross proceeds per new sale settlement of $686,000 was up from $658,000 in 2022 due to higher sales prices across all product types, in particular in villa sales, where the average sale price increased to $843,000 from $730,000 in 2022. Realised resale gain increased by 26% to $88.1 million in 2023. Average gross proceeds per resale settlement were $587,000, up 5% from 2022. Key development milestones included the delivery of the Te Awa, and Bell Block main buildings along with the start of construction at two new villages, Rangiora (Christchurch), and Blenheim. For developing villages still under construction, new unit sales were particularly strong at Bell Block (Taranaki), Cambridge, and Te Awa (Hawke's Bay). In Australia we delivered our first units at Cranbourne North, and expect first residents in March 2024

Net profit after tax

Summerset recorded a net profit after tax of $436.3 million for the year ended 31 December 2023, up from $269.1 million in 2022. This increase is largely due to the large fair value recognised in 2023. Fair value movement in 2023 of $441.6 million reflects the delivery of retirement units in the financial year as well as pricing, the uplift in land bank and growth rate assumptions.

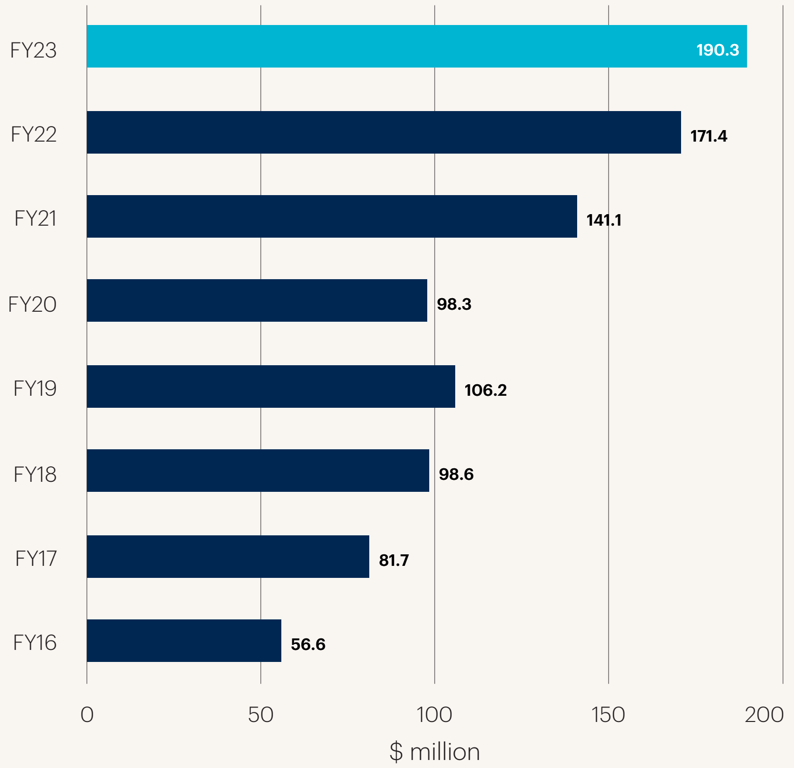
Business growth and expenses

Summerset derives its revenue from selling units (deferred management fees) and providing village and care services. The company's revenue increased as a result of higher volumes, reflective of the continuing growth and scale of our operations. Deferred management fees on Summerset's units sold under occupation right agreements were $104.6 million in 2023 (2022: $92.3 million). The growth reflects the increase in the number, occupancy and value of Summerset's portfolio of units. Underlying profit is a non-GAAP measure. A detailed explanation is included in Note 2 to the Financial Statements (see page 67). In general terms, underlying profit removes the fair value movement of investment property and reinstates the realised gains associated with our resales and the development margin associated with our new sales. Underlying profit is used to determine the dividend payout to shareholders.

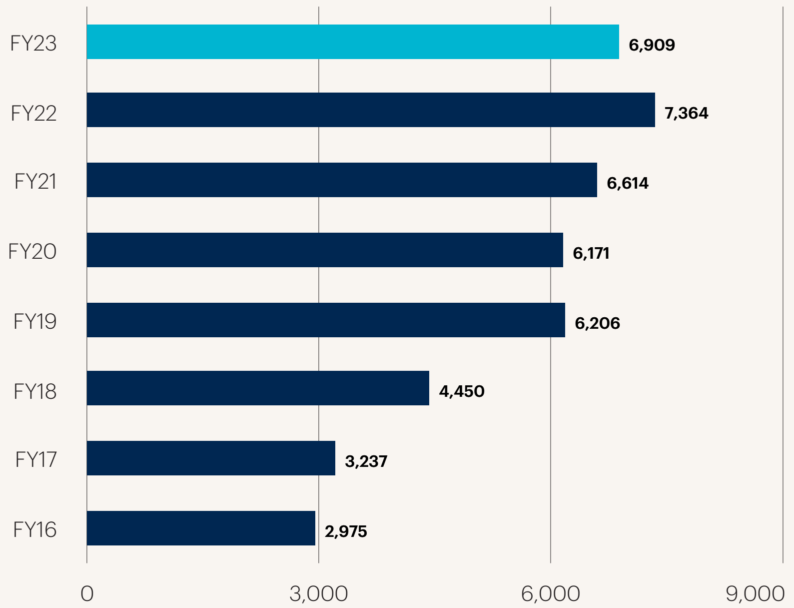
Summerset's total unit portfolio reached 7,371 (2022: 6,679), and at year end there were only 408 new units and 156 resale units available for sale. Occupancy in our mature care centres was 93% (2022:

Management commentary
(no financial statements)

Underlying profit



Land bank over time (units)



92%), which is above the industry average of 90%. Total expenses were managed well, increasing by 17% to $263.8 million in 2023 (2022: $225.7 million), mainly driven by the increased care wage costs at a rate above the level of public funding increases, and general cost growth across head office functions. We continue to experience growing employee costs due to tight labour conditions, higher rates across our properties and increased insurance premiums. We incurred $0.5 million of one-off operational costs due to the impact of Cyclone Gabrielle.

Net cash from operating activities

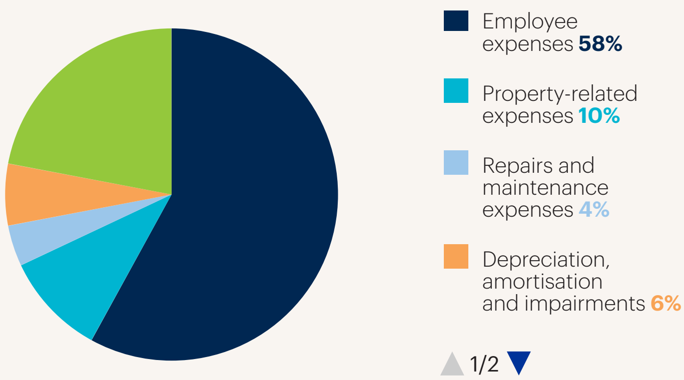
Summerset's net cash from operating activities was $398.2 million for the year, up 8% from 2022 (2022: $369.2 million). This was principally driven by increased receipts from residents but reduced by increased costs of providing care. Summerset is a growth company and reinvests operating cash flows back into the business to finance future growth. In 2023 Summerset invested $668.5 million, primarily in relation to new and existing retirement villages and care centres (2022: $651.7 million).

Management commentary
(no financial statements)

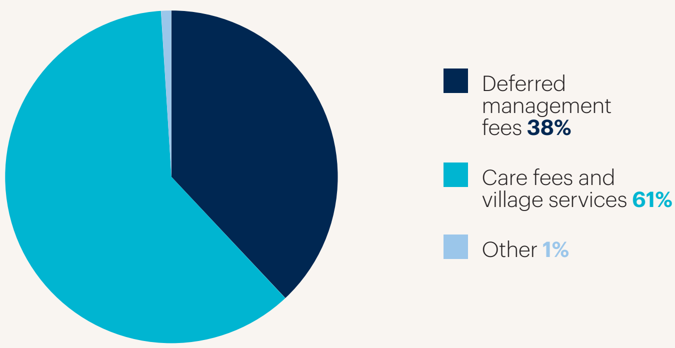
Assets rose to $6.9 billion
Total assets rose 19% to $6.9 billion at 31 December 2023 (2022: $5.8 billion), mainly due to growth in the size and value of Summerset's investment property, which reached $6.4 billion (2022: $5.4 billion). At balance date, Summerset also had property, plant and equipment valued at $403.2 million (2022: $326.1 million), most of this being care centres (these are operated to provide services and are therefore not included as investment property). An increased embedded value of $1.6 billion (2022: $1.5 billion) demonstrates future cash that can be generated when units are resold. Interest-bearing debt of $1,393.5 million was 20% of total assets at year end (2022: $1,060.5 million). The year-end debt at face value is made up of $949.0 million of bank borrowings and $450.0 million of retail bonds. Summerset also has residents' loans of $2.5 billion (2022: $2.2 billion). This is in the form of licences paid by residents under occupation right agreements. These are repayable when residents vacate units and the associated occupation rights are resold.

2023 dividends
Summerset will pay a final dividend of 13.2 cents per share (cps) on 22 March 2024, making a full payout for the 2023 year of 24.5 cps (2022: 22.3 cps). Board policy for shareholder distributions was reviewed during the year and the payout range updated to 20–50% of each year's underlying profit. The 2023 distribution of $57.3 million represents 30% of underlying profit ($190.3 million), which is consistent with the last seven years. Summerset continues to offer shareholders a dividend reinvestment option, including a 2% discount to market share price.

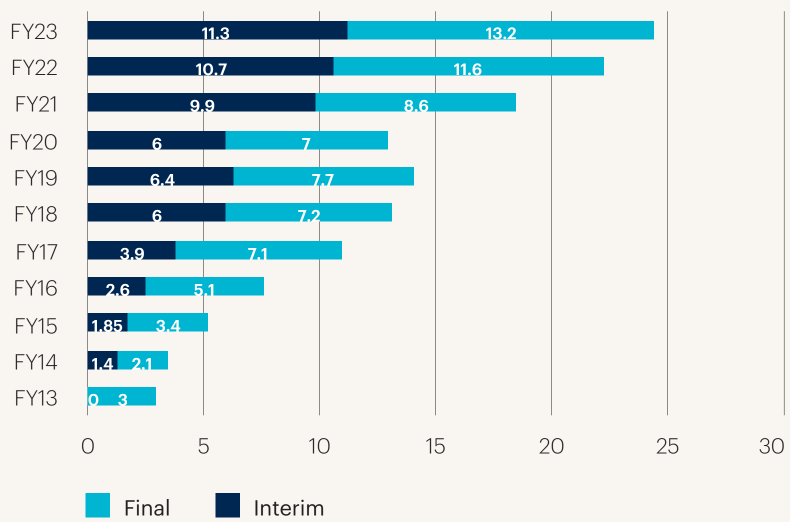
Expense breakdown



Revenue breakdown



Dividends (cents per share)



Management commentary (no financial statements)

Five-year summary

Key operational and financial statistics for the five-year period up to and including FY23 are shown below.

Results highlights – operational

	Unit	FY23	FY22	FY21	FY20	FY19	FY22 to FY23 % Change
New sales of Occupation Rights	No.	560	537	540	404	329	4%
Resales of Occupation Rights	No.	543	470	438	381	323	16%
Total sales of Occupation Rights	No.	1,103	1,007	978	785	652	10%
Development margin	%	31.6%	29.7%	23.1%	19.6%	27.9%	6%
New Occupation Right units delivered	No.	643	625	619	356	354	3%
Retirement units in portfolio	No.	6,087	5,518	4,930	4,385	4,076	10%
Care units in portfolio	No.	1,284	1,161	1,098	972	868	11%

Results highlights – financial

	Unit	FY23	FY22	FY21	FY20	FY19	FY22 to FY23 % Change
Net operating cash flow	$m	398.2	369.2	383.4	266.8	237.9	8%
Total assets	$m	6,941.7	5,840.3	4,923.7	3,893.2	3,337.9	19%
Net assets	$m	2,605.4	2,193.0	1,924.5	1,354.8	1,131.9	19%
Underlying profit	$m	190.3	171.4	141.1	98.3	106.2	11%
Profit before income tax (IFRS)	$m	422.5	265.1	543.6	221.7	173.6	59%
Profit for the period (IFRS)	$m	436.3	269.1	543.7	230.8	175.3	62%
Dividend per share	cents	24.5	22.3	18.5	13.0	14.1	10%
Basic earnings per share	cents	187.4	116.7	238.2	102.3	78.6	61%

Summerset

Sustainability Review

AND CLIMATE-RELATED DISCLOSURES FY23

TCFD

About this report

Summerset's *Sustainability Review and Climate-Related Disclosures FY23* provides our stakeholders with view of our sustainability performance and activities.

This year's report builds on the sustainability commitments we made in our initial five-year plan, launched in 2018, and details progress against our emissions targets for 2027, 2032 and 2050.

This report is not only a reporting tool, but also a record of our work towards reducing our impact on the environment, society and the economy, guided by our Sustainability Framework and our ten-year Strategic Plan.

This Review is available on our website. Questions about the report can be directed to investor.relations@summerset.co.nz

Climate-related Disclosures

Summerset is a climate-reporting entity (CRE) under the Financial Markets Conduct Act 2013.

Summerset's climate related disclosures on pages 16 to 38 comply with New Zealand Climate Standards issued by the External Reporting Board.

In preparing our climate-related disclosures, Summerset has elected to use Adoption provision 2: anticipated financial impacts.

This adoption provision exempts Summerset from disclosing anticipated financial impacts of climate-related risks and opportunities reasonably expected by Summerset for its first reporting period.

Period covered by the Review

This report covers our sustainability performance and activities for the 12 months from 1 January 2023 to 31 December 2023 unless otherwise stated.

Scope of the Review

This report focuses on the sustainability performance and activities of Summerset Group Holdings and associated developments.

Key information

Company name:

Summerset Group Holdings Limited

Head-office address: Level 27, Majestic Centre,

100 Willis St, Wellington,

New Zealand

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Front cover: Solar panels at Summerset in the Sun (Nelson). Inside cover: Artist impression of Summerset Chirnside Park

04 CEO AND CHAIR INTRODUCTION

06 2023 SUSTAINABILITY HIGHLIGHTS

08 Environment

12 Social

15 CLIMATE-RELATED DISCLOSURES

16 Governance

19 Strategy

24 Climate-related Risks and Opportunities

32 Risk Management

33 Metrics & Targets

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Above: Summerset Richmond Ranges Main Building solar panels

CEO and Chair introduction

Since 2017 Summerset has been measuring, managing and reporting on our carbon footprint. We take our commitment to sustainability very seriously and we've worked hard to embed sustainable practices right across our business.

As a large New Zealand business, we recognise that we have a duty to integrate sustainability into everything we do and to always challenge ourselves to do better.

Early in 2023 we released our first Sustainability Review, which documented the first five years of our sustainability work and the significant progress we've made to date. It was our first step into ESG (environmental, social and governance) reporting and shows how we are contributing and working to have an impact beyond just the environmental aspects of our operations.

Our FY23 Sustainability Review builds on that information, but also contains our climate-related disclosures which are mandated by the New Zealand government for all Climate Reporting Entities to provide to the market. We believe these new disclosure requirements are a positive step in transparent reporting.

We have recently shared our ten-year strategic plan with our staff, which contains environmental, social, governance, and sustainability focused initiatives right across the business. One of our strategic goals is to be a good corporate citizen. It's important to us that we play our part in creating a sustainable future and that this is a core part of our strategy for the next ten years.

We are proud of our industry-leading approach to sustainability, and have made significant improvements in this space over the last five years. After completing our first five-year sustainability action plan and exceeding our emissions reduction targets, we are embarking on our second five-year journey with new goals and targets. We will continue to focus on finding new opportunities to better ourselves, utilise sustainable lending and meet our growing disclosure obligations.

We were very pleased to be again recognised by Forsyth Barr in their second Carbon and ESG Ratings for NZX-listed companies. We were again 11th of all NZX-listed companies and the top-rated listed retirement village operator. External acknowledgement of our work is very pleasing and helps validate our approach to date.

Environment

We are a growth company, and we will continue to develop, build and manage retirement villages throughout both New Zealand and Australia. With an ambitious construction process, we consider the environment, nature and biodiversity as part of the build programme to ensure our environmental impact is minimal or reduced.

Over the last six years our construction sites have worked hard to look closely at all our practices to reduce our effect on the communities we're building in. Construction waste reduction has been an enormous focus, with 4,372 tonnes of waste diverted from landfill in 2023 alone.

In addition to this we have increased the native planting around our villages and we're investigating water conservation methods and the opportunity to remove and replace gas boilers in our villages.

Changes to the design of our buildings have been undertaken over this time too as we look to reduce our embodied carbon by using less concrete where we can and instead use other more sustainable materials.

Once our villages are built, we work hard to minimise the impact of the village on the environment and work with staff, residents and contractors to create efficient villages. Across our portfolio we are focused on operational efficiency and are working to decarbonise our existing villages.

To make our existing villages more efficient and reduce their carbon footprint we have rolled out an LED light

replacement programme, installed Electric Vehicle (EV) charging points at many villages, brought in EV pool vehicles for residents and staff to use investigated how we will transition away from gas, and worked with residents to reduce and recycle their waste.

We're also investing in solar panels. Our Karaka (Auckland), Nelson and Manukau villages all have solar panels powering parts of their villages, and our Richmond village is the first to have solar panels installed on the main building, with our Rototuna village next in line.

Over the last year we've also installed water meters to better understand our water usage at each village and how we might be able to do better in this area.

Our work so far has been recognised, with our construction waste avoidance initiative Building out Waste by Thinking Green winning a Construction Sector Accord Beacon Award. Our Think Green programme was also recognised in the Retirement Village Association's Sustainability Awards where we won the APL Operator-led Sustainability Award. This recognised how we have embedded sustainability across the organisation and our work over the last five years to reduce our carbon emissions.

Social

Our people are vital to our success. We are a people-oriented business and without great people we can't deliver on our purpose of bringing the best of life to our residents. We are committed to providing meaningful career pathways and opportunities for our people and allowing them to be at their best both inside and outside work.

Over the last year we have invested in diversity & inclusion training, mental health awareness training for our managers and in providing our people with wellbeing information to help them be at their best and care for themselves and their families.

For our residents, a large part of our social responsibility sits with the care we provide. We are committed to providing our continuum of care offering which is so important to our residents and provides them with peace of mind that they have options should their health needs change.

In 2023 we opened three new care centres in Bell Block (New Plymouth), Te Awa (Napier) and Kenepuru (Porirua) and started the refurbishment of three of our older care centres around the country to bring them up to a more modern standard.

We have also advocated for our sector and smaller aged care providers who are struggling to keep the lights on. While we can, and will, continue to offer care, the wider aged care industry is suffering from severe underfunding and the implications for thousands of aged New Zealanders are very serious.

Underfunding from successive governments has left many aged care providers in a precarious position, particularly small not-for-profit providers who provide more than 50% of New Zealand's aged care beds. Beds are closing around the country as aged care facilities struggle to operate and this will have flow-on effects across our health care system.

We will continue to advocate with health officials for a more equitable outcome.

Governance

We have a very strong governance structure from our Board down to ensure that we monitor our risks and that we have the appropriate skills and experience to help us to respond to the risks and opportunities that climate change will present in the future.

Summerset's Board and management have focused on working on and preparing for the climate-related disclosures work that is found later in this report.

This is a new area for Climate Reporting Entities to understand and will evolve as the framework matures, the complexity of climate change is better understood, and positive action is undertaken. We expect our disclosures to change to meet the demands of government, our stakeholders and other interested parties. This is very valuable and important work and a critical step in transparent reporting and tackling the issue of climate change.

Summerset's work to date has positioned us well to embrace this challenge, and proactively and positively contribute to New Zealand's climate response and building a sustainable future.

Measuring performance

We are committed to decarbonising our business however, there are real challenges as we continue to grow through the construction of new villages. For this reason, we report and measure our progress using carbon emissions intensity of emissions per square metre.

To meet these targets, we need to adapt and innovate across our entire operation. All of our lending is sustainability-linked and includes deliverables across wellbeing, emissions intensity, and a reduction in construction waste. By linking our funding to sustainability, Summerset is incentivised to proactively transition to a low-impact business.

Ongoing work

We are very proud of the work we've undertaken so far but we know there is much more to do. Our first target was to reduce our carbon emissions by 5% per million dollars of revenue and we exceeded that – achieving a 16% reduction. We now have a new five-year science-aligned target to keep us on track and ensure we are on the trajectory needed to be within the 1.5 degrees of global warming.

We would like to thank the Summerset team for their dedication to building excellent villages and creating caring communities. Thank you also to our residents, suppliers, stakeholders and investors for coming along on this journey with us so far and pushing us to excel.

Mark Verbiest
Chair

Scott Scoullar
Chief Executive Officer

06 Sustainability Highlights

2023

TCFD

Sustainability framework

OUR PURPOSE: BRINGING THE BEST OF LIFE

OUR VISION: TO DEVELOP OUR VILLAGES RESPONSIBLY AND CREATE A SUSTAINABLE FUTURE FOR ALL

STRATEGIC GOALS	Reduce our impact on the planet through efficiency and innovation	Contribute to the economic prosperity of Aotearoa New Zealand	Create caring communities for our residents and employees
OUR FOCUS AREAS	• Reduce carbon footprint • Reduce landfill waste • Energy efficiency • Measure water take • Sustainable design and construction practices • Embrace technology including solar	• Adapt to economic conditions • Fulfil sustainability-linked lending criteria • Provide a secure and sustainable business for shareholders • Fulfil governance and compliance obligations	• Act ethically and responsibly • Support local communities • Provide a safe workplace • Staff wellbeing • Diversity and inclusion • Grow stakeholder understanding of sustainability
OUR TARGETS	**5 year** – Short-term carbon target: Reduce emissions intensity by 34% by 2027 **10+ year** – Long-term targets: Reduce emissions intensity per sqm by 62% by 2032 **15+ year** – Carbon net zero by 2050	**Sustainability linked loans:** **1.** Ongoing dementia certification and increase dementia beds **2.** 5% year-on-year reduction in carbon intensity per sqm scopes 1, 2, 3* **3.** Diversion of construction waste from landfill **selected scopes*	**Scope 3 target:** Engage and encourage 67% of our supply chain to measure and report their emissions by 2027 (based on scope 3 emissions)
SUSTAINABLE DEVELOPMENT GOALS	7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 12 Responsible consumption and production; 13 Climate action; 14 Life below water; 15 Life on land	8 Decent work and economic growth; 17 Partnerships for the goals	3 Good health and well-being; 4 Quality education; 5 Gender equality; 11 Sustainable cities and communities

UNDERPINNED BY OUR VALUES: STRONG ENOUGH TO CARE | ONE TEAM | STRIVE TO BE THE BEST

Our affiliates

TOITŪ NET CARBON ZERO ISO 14064-1 ORGANISATION

NZGBC TE KAUNIHERA HANGANGA TAUTAIAO
Member 2022–2023

CLIMATE LEADERS COALITION ON A MISSION TO REDUCE EMISSIONS IN NEW ZEALAND

Lifemark

OUR ENVIRONMENTAL IMPACT

Over the past five years, Summerset has taken significant steps to minimise and mitigate our environmental impact to the point that we have passed from our "going green" phase to "thinking green".

By thinking green, we are now applying a sustainability lens over everything we do: from building new retirement villages, to minimising waste and fossil fuel use, to asking our suppliers to reduce the plastic packaging around the products they send us.

Our Think Green programme has been put in place to ensure our people can do the right thing and have an impact too. To make our more significant emissions reduction targets understandable and achievable, we've introduced selected intensity metrics for a number of our emissions sources. For example, our travel emissions per staff member metric makes the emissions targets more "real" for head office staff, encouraging them to adopt sustainable travel alternatives. See Think Green intensity metrics table on page 9.

For a retirement village operator of the scale of Summerset, the focus on reducing environmental impact centres on four areas:

- Carbon emissions from construction
- Energy use within existing operations
- Waste minimisation across the business
- Biodiversity and water conservation.

Decarbonising Summerset

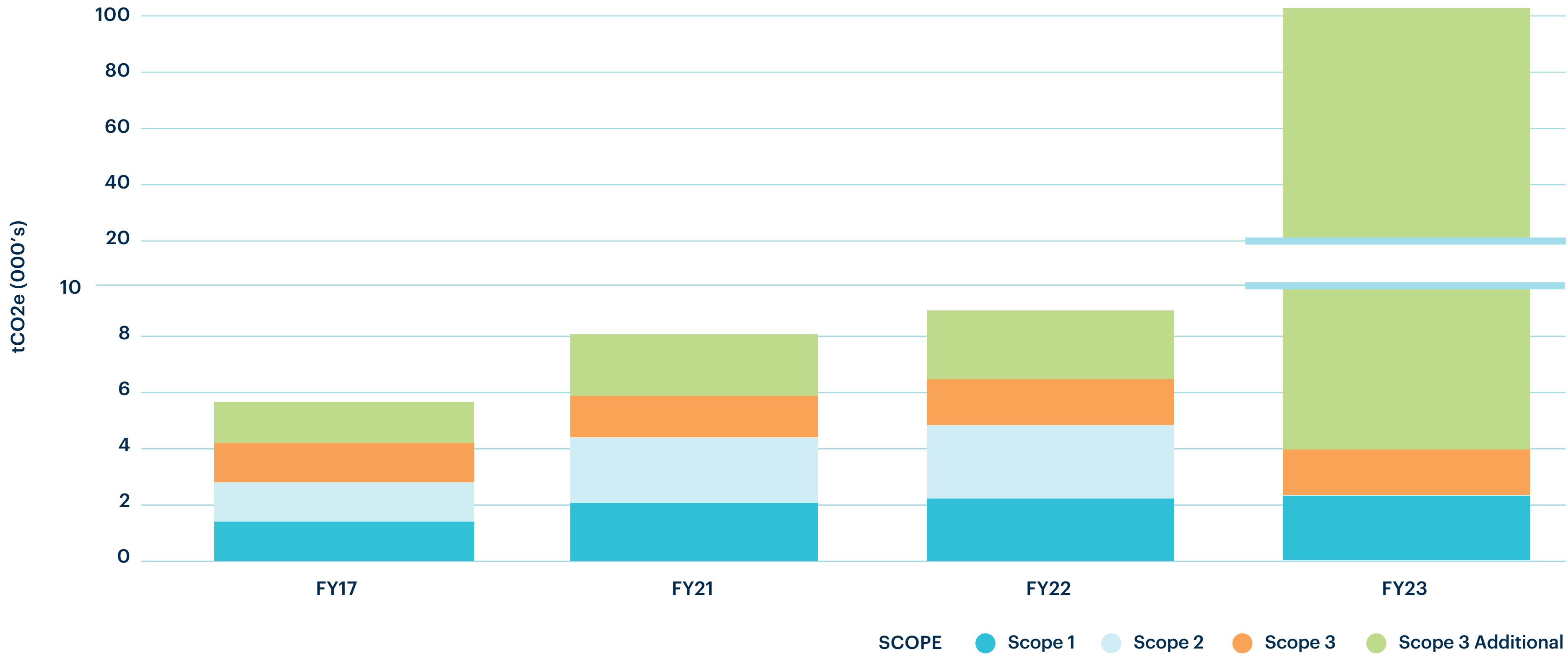
We are committed to reducing our emissions as much as possible and we have taken a number of steps to towards that goal.

We believe this is the right thing to do as a good corporate citizen, but it is also an expectation of our staff, residents, shareholders and other stakeholders.

We also have financial incentives in the obligations under our Sustainability Linked Loan (SLL). We were the first retirement village operator to get an SLL, extend the loan term and all of our bank funding is now sustainability-linked.

We're also Toitū Envirocare net carbonzero certified, and in 2022 we committed to a new five-year science-aligned target (baseline year of 2022).

Emissions breakdown by scope and year



Emissions targets and progress

	2017–2022 Original short-term five-year target	2023–2027* New short-term five-year target	2017–2032* Long-term target
Target	⌄ 5% reduction in emissions intensity per $1m of revenue by 2022 (2017 base year)	⌄ 34% reduction in emissions intensity per square metre by 2027 (2022 base year)	⌄ 62% reduction in emissions intensity per square metre by 2032 (2017 base year)
Progress**	⌄ 16%	⌄ 15%	⌄ 18%

** Emissions reduction targets are science-aligned and cover scopes 1 and 2 only ** Progress is pre purchase of renewable energy certificates purchased for the first time in FY23*

After overachieving on our previous five-year target of a 5% reduction in carbon emissions intensity across Scopes 1, 2 and selected 3 per $m of revenue by 2022 (we reduced emissions by 16%), our new five-year target of a 34% reduction in emissions intensity per square metre by 2027, on baseline year 2022, is more ambitious and meets the Science Based Target Initiative target setting criteria.

Reductions have been realised through the transition to electricity from fossil fuels for building heating and transport. We have continued to explore opportunities to replace gas with electricity and to install solar panels on our facilities. We began our first large solar panel installation on a main building at our Richmond village in 2023 and we continued to roll out electric vehicles into our village fleet.

We've furthered the steps to improve Scope 3 supply chain emissions by building accountable practices into our contracts, being proactive with our thinking around design, material use and waste incorporated into each stage of project work, as well as education sessions onsite with our construction staff and subcontractors.

Our Scope 1, 2 and 3 2023 emissions

In 2023 we produced 102,926 tonnes of CO2e (scopes 1, 2 and 3). Our significant sources of scope 1 and 2 emissions sources are electricity and gas. A large portion of our demand for electricity is unavoidable due to operating care facilities that have energy requirements in order to deliver a high level of care. Similarly, gas is utilised for heating hot water, cooking and providing laundry services all core services when caring for the elderly. Where infrastructure is available, we are exploring options to transition from gas heating to electricity.

In 2023 we disclosed our full value chain scope 3 emissions for the first time, including category 1, purchased goods and services, 2, capital goods, and employee commuting category 7. Our most significant scope 3 emissions come from capital goods and purchased goods and services. Together these account for over three-quarters of our total emissions. Within Scope 3, these two categories represent 94% of our Scope 3 emissions (and 92% of our full value chain emissions) (See table over).

Since 2019 we have offset our residual operational emissions using carbon credits to obtain Toitū net carbonzero certification. To offset our emissions for the FY23 period, we purchased carbon credits from Hinewai, an ecological restoration project on the Banks Peninsula in New Zealand as well as a number of high-quality international carbon credits.

Tackling embodied emissions and waste

We have advanced our embodied (construction) carbon work to explore how best to minimise embodied carbon for new villages. We have developed a baseline for embodied carbon for two of our built typologies and we're now looking at those materials that are

Think Green intensity metrics

EMISSIONS SOURCE *	INTENSITY METRIC	FY17 (BASE YEAR)	FY21	FY22	FY23
Gas (Scope 1)	Emissions from gas used per main building m² (tCO2e/m²)	0.013	0.012	0.012	0.011
Fuels (Scope 1)	Emissions used from fuels used per operational village (tCO2e/village)	9.77	11.22	12.32	13.34
Electricity (Scope 2) **	Emissions from electricity used per main building m² (tCO2e/m²)	0.170	0.019	0.018	0.001
Travel (Scope 3)	Emissions from travel per head office staff member (tCO2e /head office staff)	2.96	0.01	1.90	2.46
Waste (Scope 3) ***	Emissions from waste per total residents & staff (tCO2e/residents + staff)	0.116	0.097	0.096	0.043
Resident electricity (Scope 3) ***	Emissions from resident electricity per resident (tCO2e/resident)	0.336	0.274	0.304	0.155
Paper (Scope 3)	Emissions from paper per staff member (tCO2e/staff)	0.020	0.011	0.009	0.007

*These are our original emissions sources and key focus areas that drive performance and support our Think Green emissions reduction programme

**For years prior to 2023 electricity has been calculated using the location-based method. In FY23 market based method is used

*** Reduction in waste to landfill and resident electricity has been achieved through a combination of emissions reduction initiatives and changing emissions factors

Note: Historical adjustment of emissions factors has been incorporated significant contributors to emissions and how we can utilise more sustainable alternatives where we can.

Waste reduction and avoidance has been an important part of our sustainability work to date. During 2023 Summerset worked across 17 construction sites, all of which practiced waste avoidance, a programme which began on 1 October 2021.

Working with our partner, Waste Management, and other local suppliers, the project aims to minimise the amount of waste that we are sending to landfill. We monitor what goes in labelled bins, allowing us to measure waste streams and identify diversion opportunities.

Our construction team has embedded site source separation onsite and worked with contractors and subcontractors to get them on board. The initiative has been a real game changer, not just in waste avoidance but prompting the review of the entire building life cycle from design, procurement, pre-construction through to waste disposal.

This might mean designing out unnecessary materials or activities, or removing or phasing out assets that create emissions, prioritising the use of energy efficient equipment or renewable energy sources, or choosing materials that have a longer life cycle, or can be reused or recycled at end of life.

We work with residents on solutions where we are identifying barriers or issues with waste reduction. Waste reduction in our villages often involves our residents, who are encouraged to use labelled waste and recycling bins and take food waste to food waste collection stations. At our Avonhead village this approach improved waste diversion from 15% to 68% over a two-month period.

Above: Matilda's hive at Summerset Bishopcourt, Dunedin

Biodiversity and water

This year we have furthered our commitment to biodiversity and the practical steps we can take to protect biodiversity and minimise the impact of our construction projects. One of the ways we have been doing this is to factor the creation of green spaces into the development process.

At existing villages, we have taken steps to reduce the use of synthetic fertilisers and wherever we can we do native planting in our gardens and surrounding wetlands, where they exist, to encourage more indigenous biodiversity such as native birdlife.

To connect our village residents with nature, new initiatives include the planting of an orchard at Whangārei that will be tended by residents and provide the village and care centre with fresh fruit. At our Waikanae village we replanted a mahoe forest adjacent to the village and have seen significant growth over the past year.

Our efforts to measure our water consumption have taken shape this year with additional water metering to provide us with a better level of understanding of our usage at village level in the areas of care, grounds and independent living residents.

Recognition

Summerset won the Construction Sector Accord Beacons Award for our construction waste avoidance initiative, Building out Waste by Thinking Green, winning in the Client Leadership sub-category.

Summerset also won the 'APL operator-led sustainability programme' in the Retirement Village Association of New Zealand's Sustainability Awards. Our entry centred on our Think Green programme and our work over the last five years to reduce our carbon emissions.

CASE STUDY

HELPING TO REDUCE FOOD WASTE

At retirement villages, enjoyable meals are important social occasions and help maintain the health and wellbeing of residents. However, food that is overproduced, or served but then discarded, costs money, impacts the environment, and falls short of meeting the dining experience we want for our residents.

While Summerset has introduced food waste collection bins within our villages wherever possible, we wanted to explore how we could further reduce food waste and overproduction before meals were made. We were very pleased when the University of Otago's Food Waste Innovation team approached us to pilot test the technology planned for use in a wider food waste reduction project.

Summerset Bishopcourt (Dunedin) volunteered to take part in the pilot and were involved in testing the use of new technology Method InSight smart scales that automatically weigh, analyse and provide bin data in a real live kitchen situation. This data gives kitchens information on what is and isn't being eaten and how much is being overproduced so adjustments can be made to quantities and varieties of food.

Thanks to the feedback provided by the team at Bishopcourt the project team have refined their programme and will be rolling this out in 2024 to any retirement village in the country that wants to take part. The Dunedin team have made themselves available to further fine tune the programme as it rolls out around the country.

Summerset will continue to support this initiative and has committed to rolling out the programme at a further two villages in 2024.

FY23 Emissions breakdown by scope

Direct emissions owned or controlled by Summerset and used in our village facilities, including;

- Gas
- Refrigerants
- Fuels

2%

SCOPE 1

Indirect emissions from Summerset's electricity consumption at:

- Villages
- Construction sites
- Sales offices
- Head offices

0.2%

SCOPE 2

SCOPE 1 & 2

We have reported on Scopes 1 & 2 emissions since our 2017 base year.

Historical emissions are available **here**:

CATEGORY 2
Capital goods materials used to deliver:

- Emissions related to the construction of our villages, homes, groundworks

78%

SCOPE 3 – UPSTREAM

CATEGORY 1
Purchased goods and services

- Emissions related to our operations and the goods and services purchased and acquired

15%

SCOPE 3 – UPSTREAM

SCOPE 3

Our most material Scope 3 emissions

CATEGORY 7
Staff commuting

3%

SCOPE 3 – UPSTREAM

CATEGORY 6
Business travel

- Air, taxis, mileage claims

1%

SCOPE 3 – UPSTREAM

CATEGORY 11
Use of sold products

- Electricity used by our residents

1%

SCOPE 3 – DOWNSTREAM

CATEGORY 5
Waste generated in operations

0.45%

SCOPE 3 – UPSTREAM

CATEGORY 3
Fuel & energy related activities

0.2%

SCOPE 3 – UPSTREAM

SCOPE 3

Smaller categories of emissions included in our targets

Note: *This is Summerset's first year reporting Scope 3 full value chain emissions using the best data available.*
Sums to 100.85 due to rounding

CASE STUDY

ST JOHNS – CONSTRUCTION WASTE AVOIDANCE

Summerset is one of the largest residential builders in New Zealand and during 2023 we worked across 17 construction sites, with plans to do similar in the years to come. With a ten-year plan for growth across Australasia, Summerset is committed to building and designing retirement villages with minimal impact on the environment.

Summerset St Johns, due to open late 2024, is our largest retirement village to date, and will be unique as it will deliver hundreds of homes, the main building and care centre within months, as opposed to the slower delivery of homes typical of our broadacre sites.

The luxury village, which will be home to approximately 400 residents, in the heart of Auckland, offers spectacular views across the city.

Summerset's construction waste programme has been in operation at St Johns since construction commenced and to date 2,847 tonnes of waste have been diverted from the landfill, exceeding the site's diversion target in FY23 by 18%.

This has been achieved through specific site waste management plans that cater for multiple construction phases and ensuring the team onsite are trained in resource recovery techniques. This training includes effective onsite sorting methods to minimise waste while also informing opportunities to design and build out waste back to our internal design, procurement and innovation teams.

Integrating waste avoidance at St Johns has required active management and a collaborative culture that includes the site team, contractors and suppliers.

Above: Artist impression of Summerset St Johns

SOCIAL IMPACT

As a retirement village operator, it is our impact on our residents, employees and communities that most defines us.

This is why one of our three sustainability goals is focused on creating caring communities for our residents and employees. It is also why we support more than 190 community groups across New Zealand, including golf clubs, bridge clubs, Lions and Rotary and we have national sponsorship agreements which include Netball NZ, Bowls NZ, Dementia NZ and the New Zealand Symphony Orchestra.

Our strategic goal of creating caring communities for residents and employees is brought to life through a range of activities, policies and developments.

For example, the design of memory care facilities continues to evolve to accommodate continuous improvement and new thinking, including biophilic design principles, regarding dementia and memory care. Large colourful wall murals help with wayfinding and rooms are orientated towards courtyards and gardens to support mental health and provide greater connection to the natural environment.

Sustainable principles underpinning village operations are also being taken up by residents in various activities such as communal gardens, supporting Plastic Free July and Recycling Week campaigns, and outreach such as utilising the village EV to volunteer with Meals on Wheels in their local community.

Part of the community

Summerset's villages also have a significant impact on the communities where our villages and construction sites are located.

As one of the largest residential construction companies in the country, Summerset delivers 600+ high-quality, affordable homes for elderly New Zealanders each year, which in turn frees up housing stock in the wider community as our residents often sell their homes (typically large 3+ bedroom family houses) to move into our villages.

Summerset employs a large number of people in communities around the country too. The vast majority of Summerset's residents remain active members of the community, volunteering, working and much more, and Summerset's residents, villages and staff support and buy from local businesses.

Caring for residents and elderly New Zealanders

At Summerset we believe in, and are committed to, our continuum of care offering and the peace of mind it gives our residents. We are committed to continuing to provide care facilities for our residents, and we are continuing to invest in care centres in our new builds. We are also refurbishing three of our older care centres to modernise the facilities and meet the needs of our current and future residents.

CASE STUDY

RESIDENTS IN THE COMMUNITY

The vast majority of our 8,000+ residents are heavily involved in their local communities and many work to make the world a better place through volunteering and other charitable efforts. Some of the examples of how Summerset's residents have a positive impact on their community are described below.

At our Karaka village, 20 residents took part in the annual Movember fundraiser. After years spent sponsoring their children, grandchildren and even great grandchildren for sports events and school activities, they decided it was finally their turn to be the fundraisers.

With a goal to beat a previous fundraising total of $1,750, they set to work approaching local businesses and the village residents' committee for a donation, hosting raffles, and asking fellow residents and staff for support as well their own friends and families.

After a mammoth fundraising effort, the group managed to raise a whopping $16,482!

At our Casebrook (Christchurch) village residents wanted to reduce the use of take away cups and replace them with reusable cups, so they organised a pottery course during recycling week to make their own reusable coffee cups. The first class was so popular multiple courses were held to allow more residents to create their sustainable mugs.

And at Rototuna, residents Mark and Jan Jessen regularly use the village EV to deliver meals on wheels to their community. Every Wednesday for the past six months the couple have driven 50km delivering hot healthy meals to people who can't cook for themselves.

Above: Making reuseable takeaway coffee cups

Recent village and care awards demonstrate our commitment. We were named Group Provider Nationwide in Aged Advisor's 2023 people's choice annual awards. Voted by residents and their families, the award recognised the work of our team to bring the best of life to our residents. In addition to the nationwide award, five villages were also recognised as finalists in their categories. They were Summerset in the River City (Whanganui), Summerset in the Orchard (Hastings), and three in Canterbury: Summerset at Wigram, Summerset on Cavendish and Summerset Prebbleton.

While we can, and will, continue to invest in care, small providers are closing due to a lack of funding.

Successive governments have underfunded aged care and while retirement village operators of the scale of Summerset, can afford to continue to provide care despite the lack of funding it is putting enormous strain on smaller providers, many of whom are closing beds or facilities.

However, the lack of funding and rising costs has made Summerset, and other large care providers, reconsider our approach to care. We are rationalising our care centres to create smaller facilities that focus primarily on the needs of our village residents. This will mean we will take fewer referrals from the public sector.

A reduction in the number of care beds will have a flow on effect to the rest of New Zealand. If aged Kiwis can't go into an aged care facility they will end up in hospitals, which means New Zealanders of all ages will have more difficulty getting much needed treatment.

We will continue to advocate for fair and reasonable care funding, not just for our residents, but for all elderly New Zealanders.

Investing in our people and their wellbeing

Every person in the company has a part to play in our strategy and in delivering on our sustainable objectives. From building villages, helping our residents have the best possible retirement, finding locations for new villages and supporting the work of our village and construction teams, all have a part to play.

We regularly measure staff engagement in our quarterly surveys. Our November survey had over 1,500 responses and a significant 0.3 increase in engagement year-on-year. To better understand our full carbon footprint, we also asked detailed questions about how our staff travel to work in one of our surveys. The responses will help with future planning and whether we need to add more infrastructure to support new mobility options such as e-bikes and EVs.

CASE STUDY

ATTRACTING, RETAINING AND RECOGNISING OUR PEOPLE

Summerset is a people-focused business and without great staff we cannot build or operate world-class retirement villages for our residents.

Over the last year we have undertaken a number of initiatives to attract, retain and recognise our people including our Surprise and Delight programme and our investment into our Employee Value Proposition (EVP).

Surprise and Delight was an additional recognition programme above and beyond our annual Applause Awards, which gives our people the opportunity to nominate their colleagues for great work. Nominees went into a monthly prize draw where the winners would receive a $500 voucher. Each month, winners were chosen from every village, construction site and head office (including Australia).

The programme was hugely popular and a great way to recognise our people each month.

Capturing what is great about working at Summerset was the purpose of our EVP work. With the help of an external consultant we interviewed people from across Summerset to understand what they loved about working at Summerset and what brought them to us.

This work will be used in 2024 to articulate our point of difference to our people and in our recruitment advertising to continue to help us attract new great people and to retain the ones we already have.

Above: The Summerset team greet residents and visitors at our village main buildings

TCFD

We are investing in our people as well with a focus on filling our skills gaps by recruiting and encouraging our staff to further their professional qualifications. Like many New Zealand employers, we are relying on immigration of skilled workers to support the growth of our facilities, from construction workers to nurses and care assistants.

Our people's health, safety and wellbeing is of the utmost importance to us. This year we invested in a new health & safety management tool, DoneSafe, to get even better at monitoring, recording and responding to any health and safety risks we identify.

Support for diversity and wellbeing is also important. We encourage our people to be themselves in our workplaces, with cultural celebrations and staff representative groups such as our Women in Construction forum and the establishment of our Pride Network. During 2023 all people leaders undertook mental health, and diversity and inclusion training, and we provide employees with information on physical, financial and mental wellbeing.

Governance strengthening

To move sustainability action forward at Summerset, a Sustainability Forum comprising executives and senior managers is responsible for leadership, coordination and advice on our sustainability initiatives. The team is actively overseen by the Board of Directors.

In 2023, Summerset established a Climate Working Group to oversee the preparation of our climate-related disclosures, which can be found in this report. The disclosures cover governance, strategy, risks management, and metrics and targets.

We are one of the first companies in New Zealand required to release our climate-related disclosures and we think it's a positive step in transparent reporting.

15 Climate-related disclosures

REPORTING PERIOD FY23

TCFD

Governance

Summerset's Board of Directors

Summerset's Board of Directors (Board) is responsible for the management of risks and opportunities, including those related to climate change.

The Audit and Risk Committee (ARC) assists the Board by overseeing the climate-related disclosures programme. This includes identifying, assessing, monitoring and managing climate-related risks and opportunities.

Governance process and frequency

Key risks (including any material climate-related risks) are monitored by the ARC, which generally meets seven times per year. The Company's climate disclosures, including risks, opportunities and scenario analysis, are also overseen by the ARC and recommended to the Board for approval. All ARC proceedings are reported back to the Board.

The Board has responsibility for all other climate-related matters, including approving the Company's sustainability strategy, and setting and monitoring progress towards metrics and targets. They receive a sustainability update bi-annually which includes progress on targets and initiatives. The Board generally meets six times per year.

Climate risks are also considered by the Board out-of-cycle in relation to each material land acquisition, as part of the Board sign-off process on due diligence and feasibility.

Board skillset

The Board ensures appropriate skills and capability are available to provide oversight of climate-related risks and opportunities through the maintenance of a director skills matrix, which includes competencies around sustainability (including climate-related skills). Please refer to the FY23 Annual Report for the current Board skills matrix.

To support the Board, and ensure that the right skillsets and experience are available, development sessions facilitated by external consultants and advisors are held as required to upskill the Board.

Above: Summerset Board of Directors. See summerset.co.nz/investor-centre/board-of-directors

Governance continued

The Board accesses climate-related expertise from within Summerset and from external specialists when required.

Integration of climate change into strategy

In 2023 Summerset launched its new ten-year strategy. The new strategy incorporates sustainability into everything we do. However, it has been expanded to centre around six strategic goals, one of which is Summerset continuing our journey to be a good corporate citizen.

This focuses on continuing the excellent progress Summerset has achieved over the last five years (summarised in our Sustainability Review 2018–22 publication, found at summerset.co.nz/investor-centre/esg-reporting), and maximising future opportunities to better ourselves. This goes hand in hand with our already established science-aligned targets and the initiative programmes to achieve them.

Incentivisation and remuneration

Historically, Summerset's short-term Incentive (STI) and long-term Incentive (LTI) schemes have not contained specific sustainability or climate-related targets. However, from FY24 the Board have introduced sustainability-focused targets as part of relevant executives' STIs.

For more information regarding Summerset's STI scheme please refer to the FY23 Annual Report.

Monitoring progress against targets

The Board monitors progress against, and oversees achievement of, sustainability and climate-related metrics and targets through regular reporting from management. The reporting frequency varies depending on the specific target or initiative. Progress against our science-aligned targets is reported to the Board annually.

SUMMERSET BOARD

Specific responsibilities include but are not limited to:

- Establishing clear sustainability goals, and strategies to achieve them
- Monitoring performance of Summerset and the Executive Leadership Team against strategic objectives
- Overseeing the management of risks and ensuring Summerset has appropriate risk management and regulatory compliance policies

AUDIT AND RISK COMMITTEE (ARC)

Assists the Board in the oversight and control responsibilities for:

- Summerset's risk management framework (including the Risk Management Policy)
- Summerset's compliance with legal and regulatory requirements as they relate to financial reporting (including climate-related disclosures)

EXECUTIVE LEADERSHIP TEAM (ELT)

The ELT:

- Ensures that the business is identifying, assessing, monitoring and managing climate-related risks and opportunities in accordance with Summerset's Risks Management Policy and Sustainability Policy
- On a monthly basis reviewing the risk register
- Has overall accountability for embedding sustainability and climate change awareness into the business (specifically risk management, strategy, planning and budgeting processes)
- Reviews performance and updates against our sustainability goals

CLIMATE WORKING GROUP

- Facilitates for the preparation and disclosure of the climate-related disclosures

SUSTAINABILITY FORUM

- Shapes, monitors, and coordinates our sustainability programme across the business

RISK AND ASSURANCE MANAGER

- Responsible for our risk management framework (including policy) and the businesses compliance with it

INDIVIDUAL BUSINESS UNITS

- Responsible for day-to-day risk management practices and integrating sustainability initiatives

Management

Management's role

Summerset's Executive Leadership Team (ELT) is responsible for the day-to-day management of the company. This includes Summerset's risk management processes, from identification through to mitigation and management of controls as part of the Enterprise Risk Framework. The Board assigns climate-related responsibilities to management through policy, through setting the ELT's key performance indicators (KPIs), and through setting climate-related metrics and targets.

Management regularly engages with the Board and relevant Board committees on climate-related matters, including:

- Reporting to the Board at least annually on progress against climate and sustainability targets;
- Tabling the outcome of due diligence (including climate-related risks) on material land acquisitions for Board approval
- Reporting the ELT's performance against KPIs (including sustainability related KPIs) as part of the annual ELT performance review process
- Reporting to the ARC on climate-related risks and opportunities at least annually

The ELT is informed about, makes decisions on, and monitors climate-related risks and opportunities through:

- Annual consideration of climate-related risks and opportunities identified by the Climate Working Group;
- Monthly review of Company performance against strategy and targets, including any relevant climate-related objectives
- Monthly review of the Enterprise Risk Register, which includes recording any new material risks that affect the business (including any relevant climate-related risks).
- Assigning ownership of risks identified in the Enterprise Risk Register (including any climate-related risks) to relevant ELT members, who are required to develop appropriate controls, processes, and practices to manage and monitor these risks within the established risk appetite

Climate Working Group

The Climate Working Group was established in 2023 to ensure that Summerset was prepared and able to complete our first-year disclosures against the New Zealand Climate Standards. The group comprises key individuals that bring subject matter expertise from across the business. Collectively it has captured key information and insights that have helped form the basis of our disclosures. Additionally, the group functions as a means of helping embed climate change awareness and climate-related risk and opportunity management back into the business.

Sustainability Forum

The Sustainability Forum, which meets quarterly, comprises key ELT members, the Head of Sustainability, and key business unit managers. Collectively they are responsible for the creation, monitoring and performance of our sustainability framework which includes our science-aligned targets and initiatives. Both the science-aligned targets and initiatives are central to transitioning the business towards a more resilient, low-carbon future.

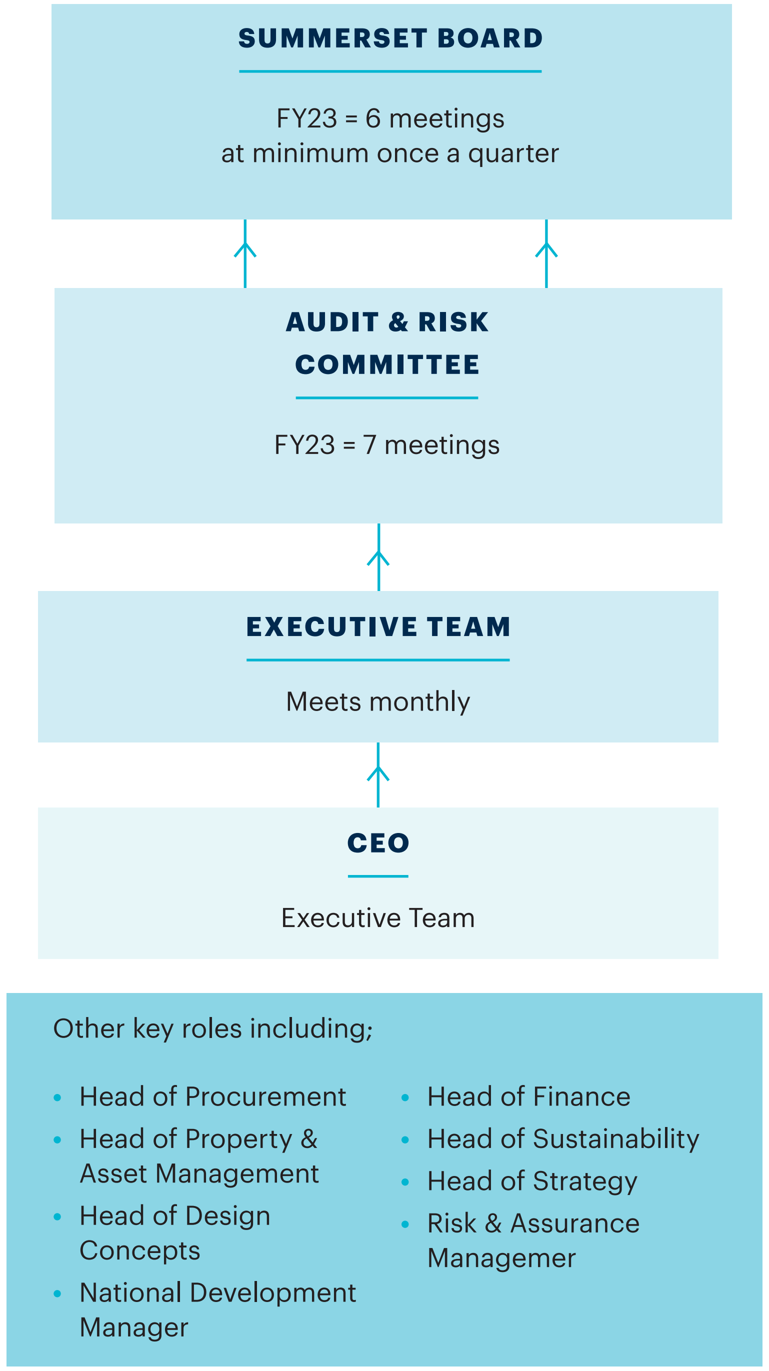
Risk and Assurance Manager

Summerset's Risk and Assurance Manager is responsible for our risk management framework and its associated compliance. This includes providing expertise, and supporting the identification, analysis, and management of climate-related risks and opportunities, and integrating these risks into our Enterprise Risk Framework. Climate-related risks are reported through the standard risk management processes.

Individual business units

Across Summerset, individual business units are responsible for their day-to-day risk management practices and embedding sustainability initiatives.

For more information on Summerset's risk management framework and processes, please refer to the risk management section of this report.



Summerset as a business

Summerset builds, owns and operates integrated retirement villages, creating vibrant, happy communities for residents that deliver on our purpose – bringing the best of life.

Our business spans the development, design and construction of villages through to the operation and management of retirement villages and care centres. Our continuum of care model is an integral part of our business. Having independent living options through to serviced apartments, care facilities and, in many villages, dementia-level care all while remaining in the same village allows our residents peace of mind that their needs can be met if their care requirements change.

Summerset has 42 villages completed or under development, and sites earmarked for potential future development across New Zealand and Australia.

Summerset's strategy & sustainability framework

Bringing the best of life to more than 8,000 residents is the core purpose for everything we do at Summerset. Summerset has six strategic goals that are underpinned by our desire to bring increased wellbeing to our residents and staff by harnessing the power of innovation and embedding sustainability into our work.

In 2023 Summerset launched its new ten-year strategy. The new strategy incorporates sustainability into everything we do. One of Summerset's goals is continuing our journey to be a good corporate citizen.

Summerset's six strategic goals are supported by short- and long-term initiatives covering the next ten years. This helps us to prioritise our work to ensure we deliver on our purpose: bringing the best of life.

Sustainability has been a part of the overall vision at Summerset for the last five years and we have been embedding sustainability practices across the business to deliver the vision to 'develop our villages responsibly and create a sustainable future for all'.

Our sustainability framework outlines how we will achieve our goals with key focus areas and initiatives. It forms our roadmap that together we are all working towards.

Our Strategy

SUMMERSET BUILDS, OWNS AND OPERATES INTERGRATED RETIREMENT VILLAGES, CREATING VIBRANT, HAPPY COMMUNITIES FOR RESIDENTS AND STAFF THAT DELIVERS ON OUR PURPOSE – BRINGING THE BEST OF LIFE

Scenario | Current climate-related impacts

Summerset acknowledges that climate change is already having an impact on New Zealand and Australia. In the reporting period, the following key impacts have been realised. This is not an exhaustive list and excludes impacts that Summerset considers to be immaterial, such as the Auckland flooding event in January during which Summerset experienced minimal to no damage or disruption across our villages.

Cyclone Gabrielle

Cyclone Gabrielle was an extreme weather event that occurred in early February 2023 and resulted in widespread damage and destruction across areas of the North Island (including Northland, Auckland, Waikato, Tairāwhiti Gisborne, and Hawke's Bay). The affected areas experienced heavy rain, strong winds, river flooding, and landslides. The impact from the cyclone was sufficient to declare a national state of emergency in the Hawke's Bay.

Summerset operates several villages across the areas affected by Cyclone Gabrielle, all of which suffered varying degrees of impact. The most significant impact was felt at our Te Awa (Napier) village. The village experienced major operational disruption through the loss of power, communication and a precautionary evacuation of the village. Physical damage at Te Awa and across all Summerset villages was minimal.

Although the business has comprehensive insurance for events of this nature, it still resulted in minor unexpected operational costs of $145,611.01 as Summerset responded to and took additional measures to ensure the safety and wellbeing of our residents and staff. This was primarily spent on emergency supplies, equipment, and staff (including relocation of staff from around the country to help the affected villages).

Throughout the cyclone, and its aftermath, Summerset worked hard to support and care for residents and staff as much as possible. Our four Hawke's Bay villages were important hubs that provided community, support and connection during an uncertain time. The power at our Summerset Palms (Te Awa) and Summerset in the Bay (Napier) villages was out for an extended period, so we brought in extra generators, staff from around the country to support and relieve their Hawke's Bay colleagues, and supplies by both helicopter and truck where necessary.

Our kitchen staff provided hot meals every day for two weeks to residents at each of these villages, and we set up Wi-Fi hotspots to enable residents to stay connected to their family and friends.

For all staff who were impacted by Cyclone Gabrielle we set up a $250,000 disaster relief fund to make contributions to staff who needed help getting back on their feet, managing the impact on their lives, and replacing items damaged by the storm. We also had EAP on the ground in our Hawke's Bay villages for weeks after the cyclone to provide confidential assistance to staff and their families.

Following the cyclone recovery, Summerset conducted a thorough incident review and has implemented a number of changes to ensure we are better prepared for similar events in the future. Recommendations included rolling out Starlink satellite broadband across all villages to increase our communication resilience and purchasing additional emergency generators.

Transitional or mitigation activities

Summerset has proactively undertaken work in improving our sustainability practices and reducing our carbon emissions since 2018. This programme of work has already resulted in the establishment of short-term and long-term goals based on science-aligned targets. From these sustainability goals Summerset is well underway implementing a transitional programme, with our efforts and spending growing each year.

In FY23 Summerset spent over $1m on a variety of initiatives such as the installation of solar panels, investment in electric vehicles and charging stations, LED replacement programmes, and commenced programmes to measure water and investigate the opportunity to transition away from gas at existing villages.

Above: Hawkes Bay residents enjoy a meal together after Cyclone Gabrielle

Scenario analysis

Scenario analysis undertaken

Summerset was a participant in the *Climate Scenarios for the Construction and Property Sector* working group led by the New Zealand Green Building Council, with facilitation and climate change and resilience expertise provided by BECA.[1]

There were 45 organisations, including at least four retirement village and aged care operators, involved in developing the final scenarios through a series of workshops over nine months. Summerset believes this reflects that, of the sector climate scenario analyses underway at that time, that the construction and property sector work was most relevant.

The finalised report details three climate scenarios, an 'orderly' 1.5°C scenario, a 'hot house world' > 3°C scenario, and an in-between 'disorderly' scenario where global warming is limited to less than 2°C. More information around the Construction and Property Sector scenario creation process can be found in the published report.[2] The finalised scenarios were presented to Summerset's internal working group.

1. New Zealand Green Building Council (2023). Climate Scenarios for the Construction and Property Sector. Climate Scenario Report

2. As above

Why these scenarios

The 'Orderly'(1.5ºC) and 'Hot-house World' (>3ºC) scenarios are in line with the requirements of the XRB's New Zealand Climate Standards (NZCS). They present a transition risk weighted scenario (Orderly) and an extreme physical risk weighted scenario (Hot-house). The Disorderly (2ºC) scenario fulfils the requirement for a third climate-related scenario and presents a middle ground where transition and physical risk are both serious challenges. All three scenarios present plausible futures for New Zealand, but each scenario demonstrates a different series of challenges and issues that Summerset would have to navigate.

Time Horizons

Due to the nature of Summerset's business, strategy, and decision-making, Summerset has elected to utilise two different time horizons, one for our scenarios and analysis, and a different set of time horizons for the identified climate-related risks and opportunities. The table below describes our horizons for the climate scenarios and analysis.

Scenario Analysis Process

The scenarios created through the Construction and Property Sector process were developed in accordance with the draft XRB guidance on developing sector scenarios that was available at the time. It followed the recognised structure of six key steps:

- **Steps 1 and 2: Engage sector stakeholders** and set focal questions, scope, and timeframe for the scenario development process.
- **Step 3: Identify and prioritise driving forces** of relevance to the sector. Driving forces (also known as 'drivers' are typically broad scale factors which influence the direction of future change.)
- **Step 4: Select outcomes and pathways.** Combinations for narrative development which are of greatest relevance and provide the greatest challenge (e.g. using the four NGFS narrative quadrants).
- **Step 5: Draft narratives and quantify variables** which follow a clear internal logic. Synthesise any relevant data from existing scenarios and projections. Generate new data if doing so is feasible and adds value.
- **Step 6: Review and finalise** the scenarios. Check the scenarios are internally consistent and fit for purpose. Document methodology in a comprehensive report.

The design, development and construction of new villages is not Summerset's sole business function, rather the operation, care and bringing the best of life to our residents is our primary purpose.

As such it is important for this to be reflected in how we think about climate change and the associated risks, and therefore vital that any scenarios we used also considered this and were not exclusively focused on construction and property.

With the Health Sector Scenarios not being published until early 2024, Summerset conducted a series of internal workshops that included members of the ELT and subject matter experts.

During these workshops the scenarios were reviewed and discussed, including their relevance and key assumptions at an entity level. This allowed Summerset to ensure that our clinical and operational perspectives were included, primarily through including an assumption around how changes in physical climate would manifest new and increased health risks for residents and staff in the different scenarios.

These workshops helped produce a long list of climate-related risks and opportunities. The finalised scenarios and shortlist of climate-related risks were then presented to the internal working group and Board.

SCENARIO TIME HORIZONS	
Short	Present (2023)–2030
Medium	2031–2050
Long	2051–2100

Overview of our three scenarios

	ORDERLY 1.5 DESCRIPTION	DISORDERLY 2.0 DESCRIPTION	HOT HOUSE WORLD 3.0 DESCRIPTION
POLICY AMBITION	**1.5°C**	**2°C**	**>3°C**
PATHWAYS	**RCP 2.6** **SSP 1-1.9** **NGFS 'NET ZERO 2050'** **IEA 'NET ZERO EMISSIONS'** **CCC 'TAILWINDS'**	**RCP 2.6** **SSP 1-2.6** **NGFS 'DELAYED TRANSITION'** **IEA 'SUSTAINABLE DEVELOPMENT'** **CCC 'HEADWINDS'**	**RCP 8.5** **SSP 3-7.0** **NGFS 'CURRENT POLICIES'** **IEA 'STATED POLICIES'** **CCC 'CURRENT POLICIES'**
POLICY REACTION	Immediate and smooth	Delayed	None – Current Policies
TECHNOLOGY CHANGE	Fast change	Slow – fast change	Slow change
BEHAVIOUR CHANGE	Fast change	Slow – fast change	Slow change
PHYSICAL RISK SEVERITY	Moderate	Moderate	Extreme
TRANSITION RISK SEVERITY	Low – Moderate	High	Low
SOCIO-POLITICAL INSTABILITY	Low – Moderate	Moderate	High
HEALTH IMPACTS OF PHYSICAL RISK	Low – Moderate	Low – Moderate	High

Planned future scenario development

Summerset will continue running a stand-alone process in 2024. This will primarily focus on developing enhanced entity-specific scenarios that will incorporate the Health Sector Scenarios, Construction and Property Sector Scenarios and the updated National Climate Projections for Aotearoa data, expected to be published by NIWA mid-2024.

From 2025 onwards Summerset will conduct an annual review process (including updating scenarios if required) to manage our scenario analysis.

SUMMERSET CLIMATE SCENARIO DEVELOPMENT ROADMAP

2024

Publication of Health Sector Scenarios
(expected end of Q1)

Publication of updated National Climate Projections for Aotearoa by NIWA
(expected Q3/Q4)

Development of entity-specific climate scenarios and scenario analysis incorporating Construction and Property Scenarios, Health Sector Scenarios and updated NIWA data
(Q3/Q4)

2025

Publication of Summerset's second Climate-Related Disclosures
(Q1)

Annual review of Summerset's entity-specific climate scenarios and scenario analysis
(Q2/Q3)

Summerset's climate scenarios

We have outlined the scenarios that we have based our work on

'ORDERLY'(1.5°C)

The world succeeds in the Paris Agreement's goal of limiting global warming to 1.5°C above pre-industrial levels by the end of the century. To get there, ambitious climate policies, and well-signalled and supported regulatory changes are enacted. With the new policies and regulatory changes, all sectors are required to play their part and help reduce GHG emissions. This leads to a prioritisation of electrification and sustainable practices. Embodied carbon becomes a main metric for the construction and property sector to measure and demonstrate the sector's changing behaviour and contributions. Additionally, regulations are put in place to protect vulnerable populations from the impact of climate change.

New Zealand still experiences extreme weather events affected by climate change (acute impacts), particularly in the short and medium term, which strongly influence public support and infrastructure development. Weather pattern shifts occur, with increases across areas such as rainfall, sea level rise and the number of hot days.

Societal and market behaviour moves rapidly to support and prioritise change. Focus and favouritism is given towards sustainable and renewable solutions over fossil fuels and non-sustainable practices.

'DISORDERLY'(2°C)

Although we succeed in limiting global warming to less than 2.0°C above pre-industrial levels by the end of the century, new decarbonisation policies are not introduced until 2030 (globally, within New Zealand, and within the sector). Consequentially, it is a rapid, stringent, and costly effort to decarbonise.

From 2030 there is a spike in demand for low carbon materials and energy efficient technology as change is now heavily prioritised. Early adopters and fast movers get the opportunity to utilise materials, expertise and knowledge, while late movers face increased cost and competition. During this time critical infrastructure, particularly the national grid, faces intense pressure to keep up with the sudden surge of electrification and transition.

New Zealand still faces extreme weather events and shifting weather patterns with increases across areas such as rainfall, sea level rise and the number of hot days. A lack of action through the 2020s results in a heightened vulnerability to assets through the medium term (2030–2050). This significantly increases the impact of weather-related events and changing weather patterns as adaptation has not been well implemented or prioritised. Following this realisation prioritisation of protecting vulnerable populations becomes a priority.

'HOT HOUSE WORLD'(>3°C)

Globally there is a shifting focus towards nationalism and security (food and energy), resulting in failures to implement new decarbonisation policies and control the effects of climate change. Consumer and market behaviour remains interested in climate change but does not drive significant mitigation, rather the focus turns to adaptation and response to climate-related events. Emissions continue to grow unabated, and this leads to significant shifts in climate patterns and climate-related extreme weather events.

Average temperature increases exceed 2°C by 2050 and 3°C above pre-industrial levels by the end of the century, resulting in severe physical impacts of climate changes. There are significant changes in sea level rise, rainfall intensity and number of hot days all of which drive heat-related issues such as illnesses and diseases, and food production challenges.

This places immense strain and burden upon communities (particularly the elderly and vulnerable), the associated services (health, emergency response, local councils) and critical infrastructure. Net migration to New Zealand and climate refugees further exacerbate the issues.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

The table on the following page sets out the key climate-related risks and opportunities that Summerset identified against our three selected scenarios. To determine potential impact, these risks and opportunities were assessed against an internal materiality matrix for each scenario and time horizon (defined in the table on the right).

Other risks and opportunities that did not meet the materiality threshold have not been disclosed. However, Summerset will continue to monitor the materiality of those risks and opportunities and adjust our disclosures in future as required to reflect changes in materiality.

As stated under Scenario Analysis undertaken, Summerset has elected to use a different set of time horizons for the identified climate-related risks and opportunities. This is to better align with our business operations, strategic direction, and decision-making practices.

CLIMATE-RELATED RISKS AND OPPORTUNITIES TIME HORIZONS	
Short (0–5 years)	Aligns with the immediate priorities of our ten-year strategic focus. Additionally, it matches our approximate construction timeframes for new villages, our short-term sustainability targets (2027), and our financial strategy (primarily bond maturity horizons).
Medium (5–10 years)	Aligns with the medium-long-term priorities of our ten-year strategic focus. Additionally, it matches with our long-term sustainability targets (2032), financial modelling horizons, and the approximate timeframe for design and consenting processes for new villages.
Long (10–30 years)	Currently thinking long-term out to a 30-year horizon aligns with international emission reduction targets (Paris Agreement, 2050). Additionally, it coincides with long-term forecasts for New Zealand population growth demographics which formulate input for our village and business model feasibility.

Solar panels at Summerset Karaka

Climate-related risks & opportunities

Summerset has elected to utilise Adoption Provision 2: Anticipated financial impacts (NZ CS 2)

KEY
- High
- Medium
- Low
- 0-5 years
- 5-10 years
- 10-30 years

RISK

PR – 01: The risk of increasing frequency and/or severity of extreme weather events

PHYSICAL

SPECIFIC RISKS:	'ORDERLY' 1.5ºC	'DISORDERLY' 1.5ºC	'HOT HOUSE' >3ºC
Storms, wind, and flooding	Low, Low, Medium	Low, Low, Medium	Low, Low, High
Wildfires	Low, Low, Medium	Low, Low, Medium	Low, Low, Medium

POTENTIAL FUTURE IMPACTS

Extreme weather events could potentially lead to:

- Damage to Summerset portfolio of physical assets resulting in increasing capital costs and/or insurance premiums
- An increase in operating expenditure due to rising costs associated with mitigation, resilience, and/or adaptation (including third party costs)

MITIGATIONS & MANAGEMENT ACTIONS

Summerset has engaged civil engineering consultants to provide preliminary assessments on the forecast effects of climate change (specifically stormwater and sea inundation) on our existing New Zealand portfolio.

The preliminary assessment indicated that Summerset's portfolio of villages is well placed in the event of significant storms and flooding. Summerset was recommended that further detailed modelling and detailed investigations (where information gaps have been identified) would be beneficial to further understand how our portfolio will perform in the more frequent and or serve storm events.

We are now developing a programme to systematically undertake further investigations and detailed modelling. This is expected to occur in stages over the next five years.

Supplementary to the consultants' assessments, Summerset has in 2023 implemented a requirement for all new sites acquired, and new village designs, to have considered and incorporated RCP 8.5 climate change scenario requirements. This helps further mitigate climate change affected weather event concerns for any new villages and ensures that our design process considers long-term climate resilience over short-term financial incentive.

Summerset has cultivated and maintains a strong relationship with our insurance provider to help ensure that our insurance is tailored to meet our needs.

To help mitigate the increased risk of bushfires or wildfires our villages face in Australia, Summerset has ensured our due diligence considers this when identifying sites. Additionally, Summerset engages recognised bushfire experts to undertake a review, which will often suggest design strategies that Summerset can implement. For example, our Mernda village design incorporates a firebreak, and defendable space which helps mitigate bushfires. Lastly, we can alter our construction materials to assist with mitigation by substituting timber for metal where appropriate.

Climate-related risks & opportunities

KEY
- High
- Medium
- Low
- 0-5 years
- 5-10 years
- 10-30 years

RISK

PR – 02: The risk of longer-term shifts in climate patterns

PHYSICAL

SPECIFIC RISKS:	'ORDERLY' 1.5°C	'DISORDERLY' 1.5°C	'HOT HOUSE' >3°C
Sustained higher temperatures	Low · Low · Low	Low · Low · Low	Low · Medium · Medium
Sea level rise	Low · Low · Medium	Low · Low · Medium	Low · Low · Medium
Changing precipitation patterns	Low · Low · Low	Low · Low · Low	Low · Low · Medium
Changes to seasonal illness and/or diseases New Zealand experiences	Low · Low · Low	Low · Low · Low	Low · Low · Medium

POTENTIAL FUTURE IMPACTS

Changes to climate patterns could potentially lead to:

- Damage to Summerset portfolio of physical assets resulting in increasing capital costs and/or insurance premiums
- Potential managed retreat, including policy mandated retreat (either direct or indirect affecting Summerset's portfolio) which presents risks of reduced valuation of assets, loss of support services (both operational and infrastructure)
- Increased care requirements which present the risk of increasing costs
- Increased risk of illness to our residents
- Disruption to supply chains (including downstream suppliers)

MITIGATIONS & MANAGEMENT ACTIONS

The preliminary assessments from our civil engineering consultants confirmed that Summerset's portfolio of villages is well placed in the event of sea level rise. The programme for further investigation and detailed modelling will also consider the long-term shifts in climate patterns.

Summerset has integrated these climate-related risks into our enterprise risk management system, which will result in regular monitoring, assessment and management of the risks. This in turn should allow us to track the risks and take appropriate action should the risks to Summerset change. As new data and information relating to longer-term shifts in climate patterns is made available (such as the expected publication of NIWA's new data set in 2024) Summerset will ensure our scenarios and risks are reviewed and updated.

Working in conjunction with our investigative and modelling programme, regular reviews of our asset management plan help ensure that our maintenance programme for our portfolio considers the long-term impacts of climate change and is fit for purpose and current to legislation and regulation building resilience.

Summerset is an active member of the technical working group contributing to the Health Sector Scenario creation which started in late 2023. The report is expected to be published in the first quarter of 2024. Consequentially, for our FY24 climate-related disclosures Summerset will be able to incorporate the sector wide health scenarios and considerations. This is expected to help validate and guide Summerset's thinking.

Climate-related risks & opportunities

KEY High · Medium · Low — 0-5 years · 5-10 years · 10-30 years

RISK				POTENTIAL FUTURE IMPACTS	MITIGATIONS & MANAGEMENT ACTIONS
TR – 01: The risk of policy and or regulatory change in response to climate change (e.g., embodied carbon requirements, maximum heat thresholds for aged care, energy or fuel profiles)					
TRANSITIONAL	**'ORDERLY' 1.5ºC**	**'DISORDERLY' 1.5ºC**	**'HOT HOUSE' >3ºC**	Policy or regulatory change could lead to: • Summerset having to alter existing infrastructure (e.g., the removal of gas boilers for a lower emission alternative), or change design standards (e.g., specific energy efficient technology, clinical care requirements) which presents risk of increased capital costs • Increased pressure on critical infrastructure during energy transitional phases of the national grid and electricity generation (as Summerset grows)	Summerset monitors international (with specific focus on New Zealand and Australian) regulatory and legislative trends and developments. This helps us to understand potential regulatory change, and to pre-emptively consider the related risks, opportunities and impacts. In conjunction with monitoring regulatory and legislative changes, Summerset takes a proactive engagement approach with a variety of key stakeholders (e.g. governmental agencies, regulators, industry bodies and associations).
	Medium · High · Medium	Low · Medium · Medium	Low · Low · Low		
TR – 02: The risk of changing market behaviour driven by climate change					
SPECIFIC RISKS:	**'ORDERLY' 1.5ºC**	**'DISORDERLY' 1.5ºC**	**'HOT HOUSE' >3ºC**	Changing market behaviour could lead to: • Changes in Summerset's attractiveness to customers, stakeholders and or investors • Increased capital or operational costs in order to meet sustainability initiatives • Shortage of required materials/resources requiring Summerset to consider alternative products or resulting in increased costs	Summerset maintains regular engagement with our stakeholders and investors. This engagement allows us to understand their perspective. Working in conjunction with this is our continued engagement with the market to understand Summerset's positioning. From a procurement perspective our centralised procurement function ensures advanced forecasting of required materials, resources, and equipment. This forecasting-combined with long-term supply arrangements, and an in depth understanding of our supply chain helps to mitigate the risk of supply shortages.
Changing consumer behaviour *(e.g., greater consideration given to sustainability)*	Low · Medium · Medium	Low · Medium · Medium	Low · Low · Medium		
Shortage of supply and increased demand for materials and resources	Low · Medium · Low	Low · Medium · Medium	Low · Low · Low		
Perceptions of Summerset's reputation and brand (including lack of adaptation)	Low · Medium · Low	Medium · Medium · Low	Low · Low · Medium		
Consideration of sustainability-linked finances	Low · Medium · Low	Medium · Medium · Low	Low · Low · Low		

Climate-related risks & opportunities

KEY
- ● Important opportunity
- ● Encouraged opportunity
- ● Possible opportunity
- ● ● ● 0-5 years
- ● ● ● 5-10 years
- ● ● ● 10-30 years

OPPORTUNITIES				POTENTIAL FUTURE IMPACTS	MITIGATIONS & MANAGEMENT ACTIONS

OP – 01: The opportunity to change Summerset's energy profile

OPPORTUNITY

SPECIFIC RISKS:	'ORDERLY' 1.5ºC	'DISORDERLY' 1.5ºC	'HOT HOUSE' >3ºC
Introduce renewable energy generation through installation of solar panels	Important · Important · Encouraged	Encouraged · Important · Encouraged	Possible · Possible · Encouraged
Installation of energy efficient technology	Encouraged · Encouraged · Encouraged	Possible · Important · Encouraged	Possible · Possible · Encouraged
Electrification of transportation (EV's) and provision of charging technology	Encouraged · Encouraged · Encouraged	Possible · Important · Encouraged	Possible · Possible · Encouraged
Transition away from fossil fuels (e.g., gas boilers)	Important · Important · Encouraged	Encouraged · Important · Encouraged	Possible · Possible · Encouraged

Potential future impacts:

Changing market behaviour could lead to:

- A reduction in GHG emissions profile/intensity, and a reduction in operational costs
- Achievement of sustainability performance targets and emissions reductions, which help contribute to sustainability-linked finance
- Increased customer, stakeholder, and or investor perception resulting in an increase in demand or attractiveness

Mitigations & management actions:

Summerset started prioritising sustainability in 2017 when initial steps to measure our carbon footprint were taken. Since then, we have embarked upon a journey that has seen the establishment of science-aligned targets in conjunction with sustainability-linked lending, the piloting of solar panels, purchasing of electric vehicles, and creation of a decarbonisation plan.

This journey must continue and will see the continued roll out of further solar panels, the transformation of our fleet vehicles from combustion to electrics and hybrids, a shift away from fossil fuel, and the increased use of lower carbon materials and products.

Supporting this is Summerset's ongoing investment and work relating to design, research and development. This helps ensure that Summerset explores and considers a wide range of opportunities and value-adding improvements across our existing and planned portfolio.

OP – 02: The opportunity to prioritise sustainable design decisions

	'ORDERLY' 1.5ºC	'DISORDERLY' 1.5ºC	'HOT HOUSE' >3ºC
	Important · Important · Encouraged	Encouraged · Important · Encouraged	Possible · Possible · Encouraged

Potential future impacts:

Changing market behaviour could lead to:

- A reduction of carbon emissions (e.g., embodied carbon, construction waste, improved operational effectiveness)
- A potential increase in capital costs for implementation projects or alternative product selection
- Increased customer, stakeholder, and or investor perception resulting in an increase in demand or attractiveness

Mitigations & management actions:

Summerset undertakes periodic reviews of our village and building designs. During these periodic reviews Summerset ensures that sustainability, emissions reduction and climate change resilience are duly considered and incorporated, resulting in improvement across our new sites.

To increase our understanding and prepare for possible future legislative changes, Summerset is continuing a programme of work to investigate and analyse our embodied carbon calculations.

Our Design R&D team have a key role to play in both our design reviews and our future embodied carbon investigations.

Climate-related risks & opportunities

KEY
- ● Important opportunity
- ● Encouraged opportunity
- ● Possible opportunity
- ●●● 0-5 years
- ●●● 5-10 years
- ●●● 10-30 years

OPPORTUNITIES			POTENTIAL FUTURE IMPACTS	MITIGATIONS & MANAGEMENT ACTIONS
OP – 03: The opportunity to maximise stakeholder investment through sustainability leadership and ESG performance				
'ORDERLY' 1.5ºC	**'DISORDERLY' 1.5ºC**	**'HOT HOUSE' >3ºC**	Strong sustainability focus and ESG leadership could lead to: • Increased customer, stakeholder and/or investor perception resulting in an increase of demand or attractiveness • Greater return for existing shareholders • Easier access to capital and sustainability-linked funding	Summerset has integrated sustainability into our company's strategy. This has allowed us to prioritise our focus and take steps towards being a leader within the retirement village and aged care sector. With our initial science-aligned targets, sustainability-linked lending, and programme to decarbonise we are well on our journey. Our success to date includes the implementation of a construction waste avoidance programme diverting over 6,000 tonnes of waste from landfill, which has been recognised externally. This, combined with our decision to incorporate sustainability into everything we do could help increase the positive perception of Summerset within the market as a sustainable, climate conscious organisation that is making a difference.
● ● ●	● ● ●	● ● ●		
OP – 04: The opportunity for Summerset to build a smart land portfolio focused on resiliency (specifically climate, but also encompassing water, nature and biodiversity)				
'ORDERLY' 1.5ºC	**'DISORDERLY' 1.5ºC**	**'HOT HOUSE' >3ºC**	Careful selection of land parcels could allow Summerset to: • Prevent unnecessary climate mitigation costs through robust due diligence and selection criteria • Ensure greater resiliency and security for our residents • Easier access to insurance or lower insurance cost due to minimising risk	Since 2020, Summerset has had a specific requirement to consider the effects of climate change when assessing new village sites. In 2023 this requirement was enhanced for all new sites and village designs to consider the RCP 8.5 climate change scenario requirements. This helps further mitigate climate change affected weather event concerns for any new villages and ensures that our design process considers long-term climate resilience over short-term financial incentive.
● ● ●	● ● ●	● ● ●		

OPPORTUNITY

Summerset's ability to transition

Our Plan

With the goal of embedding sustainability into everything that Summerset does, we are well positioned to transition alongside, and support New Zealand as collectively we shift towards a low-emission climate-resilient future.

Combatting climate change and reducing our carbon footprint is dynamic and challenging, which is why Summerset has committed to achieving emission reduction targets (both short- and long-term targets) which are science-aligned. By having an emissions intensity driven target, Summerset is forced to adapt and innovate across our entire business model. As we continue to grow, we are forced to adopt new initiatives and practices.

Our climate action plan (on the following page) summarises how we are tackling the challenge of decarbonisation and transition. It highlights our priorities and initiatives and when combined with our targets it will help to drive meaningful action.

Alignment with Capital Deployment and Funding Processes

Summerset undertakes financial planning annually, and financial modelling over a 50-year horizon. This coincides with Summerset's build programme and allows for a more climate-related risks and opportunities to be assessed on a project-by-project basis.

This project-by-project feasibility is where Summerset can best incorporate climate-related risks and opportunities into our decision-making and capital deployment. For example, the land acquisitions process for potential new villages examines a variety of climate-related risks, both physical (sea level rise, flooding) and transition (managed retreat, insurance) as part of our due diligence. Additionally, during the design of new villages or the refurbishment of existing villages, Summerset has the ability to maximise our climate-related opportunities through sustainable design and incorporation of energy efficient

Above: Artist's impression - Summerset Mount Denby and the mass timber "lightweight" main building

technology (e.g. solar panels, water measurement equipment, and smart building management software). This is an example of how Summerset is mitigating climate change risk by incorporating it into our decision-making processes and allocating capital towards these risks and opportunities.

Supporting this approach is an overarching sustainability-linked lending programme, which links our financial performance to sustainability targets. To help Summerset achieve these targets, and achieve a more sustainable business, there is an annual sustainability initiatives budget and decarbonisation fund. Between these annual budgets and the project decision making process Summerset believes we are well positioned to mitigate our climate-related risks while capitalising on the opportunities.

Our Climate Action Plan

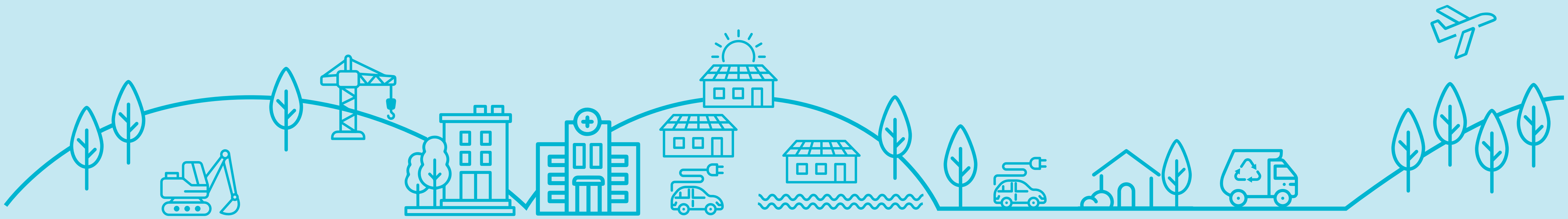
Our Climate Action Plan summarises how we are tackling the challenge of decarbonisation and transition, it highlights our priorities and initiatives and when combined with our targets helps to drive meaningful change.

OUR PRIORITIES

DESIGN & CONSTRUCTION

DECARBONISATION OF VILLAGES

MANAGING OPERATIONAL EFFICIENCIES



OUR INITIATIVES

Design and construction

- We're taking a holistic, sustainable design approach where designing for operational needs is considered up-front, and where we actively look to utilise low carbon construction processes, materials and products

Smart water management

- Adopting smart water management practices across our villages' entire lifecycle

Solar generation

- Installation of solar panels on new and existing villages reduces our emissions and reliance on the national grid

Gas transition

- Staged transition of existing villages away from gas to more sustainable alternatives

Embodied carbon

- We are calculating the embodied carbon of standard typologies within our built environment to assist in identifying opportunities and ways where we can reduce our impact

Electrification of fleet

- Transitioning our fleet vehicles away from fossil fuels to electric vehicles and hybrid alternatives

Minimising waste

- Continued focus on waste minimisation through recovery and diversion and advancing a circular economy mindset

Energy efficiency

- Optimisation and fine tuning of our building management systems coupled with energy efficient technology to reduce our overall energy use

Risk management

Integrated risk management process

Summerset acknowledges that the world's understanding of climate change and how it is impacting our environments (natural and built) is an ever-changing area. New sources of data and scientific information, as well as new regulation and technology, are constantly shifting the dynamic. This means that businesses need to be conscious that their management of climate-related risks is constantly evolving.

To address this, Summerset chose to integrate our climate-related risks into our existing Enterprise Risk Framework. This helps keep climate change risks top of mind and builds engagement across the business.

Our risk management framework and process

Summerset's Enterprise Risk Framework and Risk Management Policy adopts the principles detailed in AS/NZS ISO 31000:2018, this helps to ensure that risk management is well structured and effective throughout the business.

Risk identification is undertaken by all staff at Summerset. We use a variety of tools and methods to help with the risk identification. Detailed below are the specific tools and methods used in the process of identifying our climate-related risks:

Stakeholder engagement

- The Climate Working Group, and key individuals including the Risk and Assurance Manager and Governance and External Reporting Manager, worked with the business to assist in understanding, identifying, and assessing climate-related risks across our entire business.

Village specific analysis

- Summerset engaged external consultants to help determine the specific exposure of identified physical risks across our portfolio. This was at a high level and has resulted in a more detailed investigation programme being created to improve our understanding of Summerset's exposure across multiple scenarios and time horizons.

Scenario analysis

- The scenario creation and analysis processes (detailed in the Strategy section of this report) helped to identify and assess potential impacts of climate change which in turn shaped our climate-related risks.

External scanning

- Key individuals throughout the business, including the ELT, engage with key market participants, external resources, and consultancies to understand potential changes to existing risks or new and emerging risks. This helps Summerset with our risk management through proactive engagement and action.

Risks identified are assessed using Summerset's Enterprise Risk Matrix based on the consequence of impact and the likelihood of occurrence. Residual risk ratings are determined after taking into consideration the effectiveness of the control environment.

Summerset appreciates that the impacts of chronic, long-term physical climate-related risks are not likely to occur over time frames that fit into a traditional risk matrix.

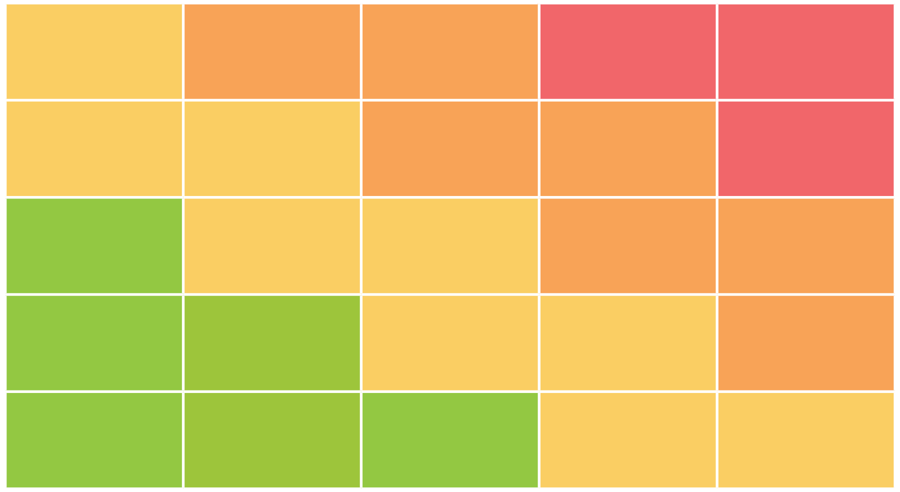
Therefore, for these specific risks there was greater emphasis and consideration given to the severity of the consequence. However, we still chose to integrate these risks so that we can track key data and indicators over time that will help grow our understanding and enable us to monitor these chronic risks.

All of Summerset's risks, including climate-related risks, are managed in line with Summerset's risk appetite. Risks that are deemed to be very high (red) or high (orange) are prioritised for action and are regularly reported on.

Frequency of risk assessment

The key operational risks for Summerset are reviewed and reported to the ELT monthly, while key strategic risks are reported to the Board on an annual basis and form part of our annual risk management plan that is approved by the Board.

In conjunction with our regular reporting of key operational and strategic risks, the Climate Working Group will conduct an annual review and update of climate-related risks which will run concurrently with our annual scenario analysis process. This is not an exhaustive source of climate change risks identification or assessment, as and when business processes (strategy planning, site identification and due diligence), stakeholder engagement (regulation and legislation monitoring, climate scenario sector groups) or external scanning identify new or changing risks, Summerset will conduct or update our risk assessments through the Climate Working Group and Risk & Assurance Manager. Any material change to our climate change risks outside of regular processes would be reported through the Climate Working Group and Risk & Assurance Manager. Any material change to our climate change risks outside of regular processes would be reported through to the ELT and ARC.



Time horizons

As previously disclosed in the strategy section of this report, the time horizons used for our climate-related risks and opportunities differ from that used for scenario analysis. Detail can be found **here**.

Value chain exclusions

No significant parts of the value chain have been excluded from the analysis. However, when considering our supply chain, many suppliers are early in their maturity journey. Consequently Summerset's understanding of climate-related risks across the whole value chain, particularly the supply chain, is limited by availability and quality of data and information at this stage.

Metrics & targets

Our GHG emissions

Summerset has been measuring carbon emissions since 2018 and we are proud to be a Toitū net carbonzero certified organisation in line with ISO14064-1. In 2023 our total emissions were 102,926 tCO2e, which is an increase on our 2017 base year of 5,381 tCO2e. This significant increase for operational emissions compared to FY22 can be attributed to the inclusion of new scope 3 emissions sources as part of our full value chain reporting. FY23 is the first year this has been calculated and included.

Electricity and gas are the significant sources of our scope 1 and 2 emissions. To deliver a high level of care, Summerset has a significant amount of unavoidable electricity demand. Additionally, gas is used for heating hot water, cooking, and providing laundry services – all core services when caring for the elderly.

As Summerset continues to grow, with more and more residents living in our villages, our absolute emissions are also likely to grow. Our aim is to implement improvements in design, technology, facilities management, and behaviour change whereby the increase in absolute emissions is less than the increase in business growth.

For the first time, Summerset purchased Renewable Energy Certificates (RECs) in FY23, which has enabled us to report a 99% reduction on prior year scope 2 emissions. Remaining emissions we have not reduced are offset, with the offsets verified by Toitū and supporting nature and social based activities. In 2023 Summerset offset 3,953 tCO2e.

How Summerset calculates GHG emissions

Summerset measures and manages our Greenhouse Gas (GHG) emissions in accordance with the requirements of International Standard ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals ('ISO 14064-1:2018').

Summerset utilises Toitū's Emanage software to calculate our emissions, with emissions factors and associated Global Warming Potential (GWP) rates provided within the software. In FY23 emanage utilised a combination of 2023 and prior year emissions factors and GWP rates including those as follows:

- Ministry for the Environment's 2023 'Measuring Emissions: A guide for organisations'
- Department for Business, Energy & Industrial Strategy (BEIS)
- Unique Emissions Factors approved by the Environmental Protection Authority
- Ledgard and Falconer, 'Carbon footprint of fertilisers used in New Zealand'

Toitū Envirocare (Toitū) provides assurance over our GHG emissions inventory annually in accordance with the requirements of the stated Toitū Envirocare Toitū carbon programme. For FY23 a reasonable level of assurance was achieved for all mandatory categories of the programme and category 5 additional emissions and limited assurance for category 3 and category 4 additional emissions. For more information, please click **here**.

FY23 GHG emissions

SCOPE	FY23 TOTAL EMISSIONS tCO2e	OFFSETS*	FY22 tCO2e	FY21 tCO2e	FY17 tCO2e (BASE YEAR)	FY23 REMAINING tCO2e
Scope 1	2,212	(2,212)	2,065	1,933	1,295	-
Scope 2 (location based)	1,417	-	2,511	2,444	1,426	-
Scope 2 (market based) **	16.66	(16.66)	-	-	-	-
Subtotal (S1 & 2 (market based))	2,229	(2,229)	4,576	4,377	2,722	-
Scope 3	100,697	(1,724)	4,230	3,616	2,658	98,972
Total Group value chain emissions (S1, 2 & 3 (market based)) ***	102,926	(3,953)	8,806	7,993	5,381	98,972
Additional intensity indicators						
Scope 1 & 2 Emissions per m2 (kCO2) ****	3.03	-	6.94	7.41	7.15	-

** Summerset offsets unavoidable emissions by purchasing gold standard credits from Toitū Enviro-care*
*** Renewable energy certificates (RECs) were purchased for the first time in FY23*
**** Total emissions are calculated using the market-based methodology for Scope 2 emissions in FY23*
***** Scope 1 & 2 Emissions per m2 (kCO2) are calculated using the market-based methodology*
Note: A retrospective change in the electricity emissions factor has resulted in changes to emissions for prior years

Our boundary

Summerset applies the operational control and consolidation approach to its emissions. Organisational boundaries were set with reference to the methodology described in the GHG Protocol and ISO 14064-1:2018 standards. This consolidation approach allows us to focus on emissions we can control and for which we can implement management actions, consistent with Summerset's corporate responsibility goals and objectives.

The scope of our emissions inventory includes all activities within the operational boundaries of Summerset Group Holdings Limited, including head offices, retirement villages and construction sites. All villages under construction, villages developing and open while construction continues, and operating villages are included, while all land bank sites are excluded as there is no activity and no emissions to report.

Emissions sources identified and excluded

There are a number of GHG emissions that have been excluded from the scope of our inventory due to being de minimis. These de minimis sources form less than one percent of the total scope or category, total emissions and removals do not exceed five percent of our total inventory (classified as de minimis) and they are not considered significant to our inventory, intended use or users.

Emissions sources identified and excluded:

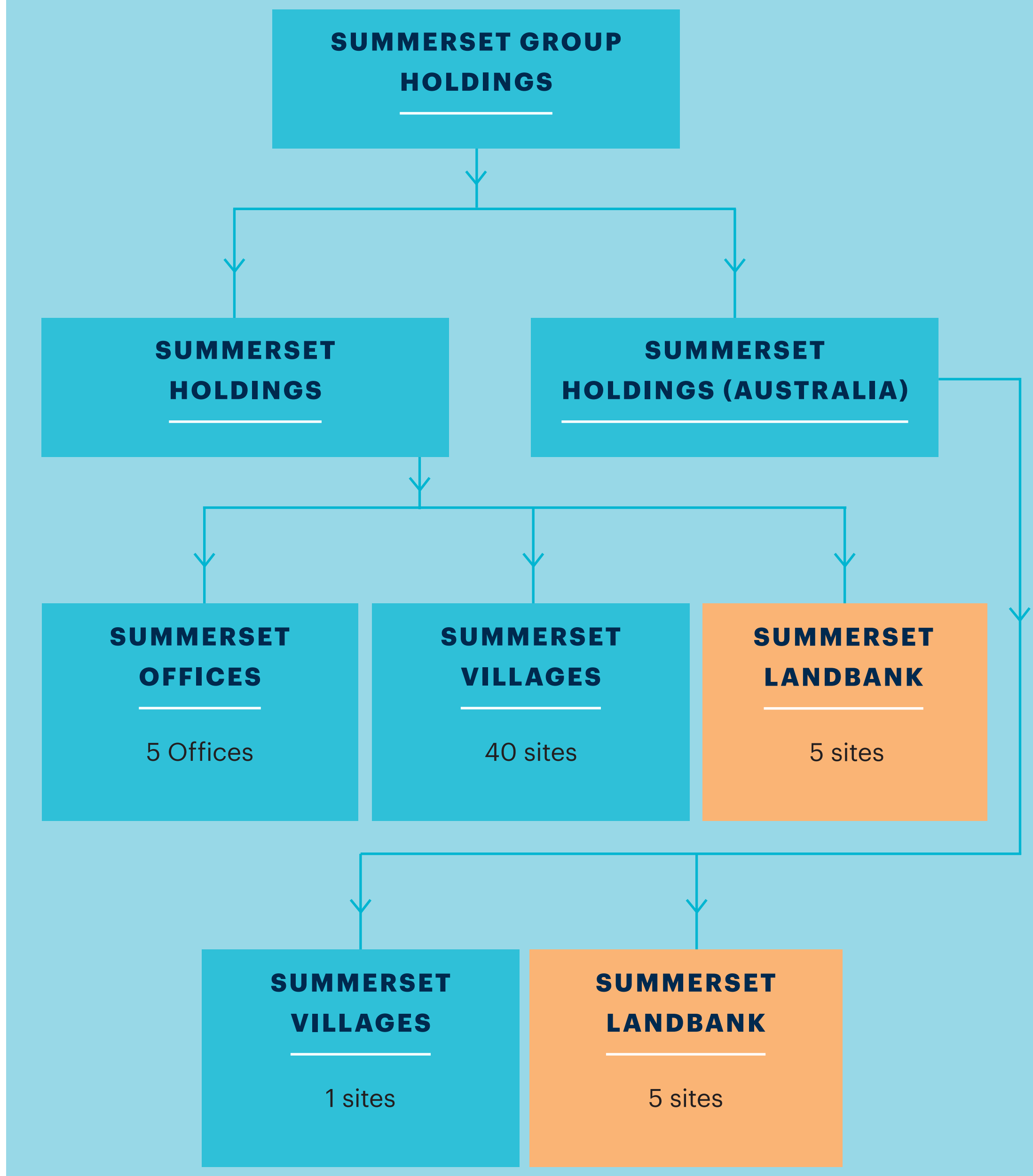
- General operations/Postage
- General operations/Freight
- General operations/Relocation costs
- General operations/T & D Losses Natural Gas

Assurance of GHG emissions

Summerset's GHG inventory is subject to independent reasonable assurance by Toitū Enviro-mark Solutions Limited 2020 in accordance with International Standard ISO 14064-3:2019 Greenhouse gases — Part 3: Specification with guidance for the verification and validation of greenhouse gas statements issued by the International Organisation for Standardization.

Scope 3 emissions from our supply chain are calculated in accordance with the GHG Protocol and where specific data on quantities of supply chain goods and services was not available, we have estimated emissions using spend based factors, from the internationally recognised Department for Environmental Food and Rural Affairs (DEFRA) factor set, corrected for exchange rates and inflation. Given most of our GHG emissions are now in our value chain, accessing climate-related data from our suppliers will be a focus for us in 2024.

Organisational structure of our emissions inventory



** Summerset Villages including in development and fully completed*

Potential exposure to Risks & opportunities

This section sets out the percentage of Summerset's business that is exposed to physical and transition risks, and aligned with climate-related opportunities, as required by the New Zealand Climate Standards. To avoid misleading or inaccurate disclosures, Summerset has approached the question of exposure qualitatively. As such, Summerset has chosen to disclose that 100% of our business could be exposed to the physical and transition risks identified in this report, though the severity of the risks may vary.

Although the exposure is 100%, these risks are being proactively managed and monitored. This ensures that should these risks eventuate then we expect the impact to the business to be well mitigated.

As we continue on our climate change maturity journey, our understanding of how these climate change risks could materially impact the business will develop. This will allow us to further enhance our controls and mitigations, and allow more exact reporting on the level of exposure Summerset faces in future disclosures.

Physical risks

Summerset acknowledges that both our residents and our portfolio of villages are potentially exposed to the physical risks associated with climate change. The level of exposure varies based on multiple factors, including the type of village, location and time horizon over which the risks are considered. This exposure can never be fully mitigated due to the uncertain nature of climate change and elements outside of our control. An example demonstrated by Cyclone Gabrielle is where damage to roading infrastructure and transmission impacted access to villages, causing staffing and supply difficulties (though the financial impact was not material).

However, Summerset is proactively investigating our portfolio and operations to help mitigate consequences and further reduce potential exposure.

A more detailed analysis of Summerset's physical risk exposure can be found in the strategy section of this report under the climate-related risks and opportunities table (PR-01, PR-02).

Transition risks

Summerset is likely to be affected by our two key transition risks: regulatory and policy change, and changing markets (including customer, supply chain, reputation and financial). Collectively the exposure across these two risks should be considered to affect the entirety of Summerset's business. Given the nature of market perception and regulatory oversight, trying to quantify Summerset's exposure to result in a meaningful and material outcome is not currently possible.

A more detailed description of Summerset's transition risks and how we are mitigating or addressing these risks can be found in the climate-related risks and opportunities table (TR-01, TR-02).

Climate-related opportunities

Summerset has sustainability as an underlying strategic pillar, and our new ten-year strategy prioritises Summerset acting as a good corporate citizen. This combined with our Climate Action Plan, and our science-aligned emissions reduction targets will ensure that Summerset plays its part in supporting New Zealand to decarbonise and transition to a low-emissions future.

With key areas of the business having sustainability initiatives, our banking facility linked to sustainability, and a decarbonisation focus centred around the Climate Action Plan, our business is focused on contributing to a more sustainable future.

One of our key focuses is on our scope 3 emissions and the embodied emissions of materials, which represent a significant portion of our scope 3 emissions. This offers us one of the biggest levers for change, through the selection of lower-carbon materials. We will continue to work with our build partners and our supply chain in investigating lower-carbon materials and identifying product substitutions.

Our design standards and tender documents already include environmental performance considerations, and we will continue to evolve these to specify lower carbon materials, construction techniques and reporting obligations to advance this opportunity. This opportunity is not without its challenges in maintaining economic sustainability however, we continue to collaborate and work with our supply chain.

We commenced our first product substitution switching from steel to timber frames in our light weight cross laminated timber structures and will continue to work through the viability of this substitution across future typologies.

A key contributor to our understanding on materials use has been our construction waste avoidance programme which was established with the principles of the circular economy at its core. Implemented in 2021 this programme has identified areas of waste and opportunities for improvement, including materials selection, supplier take-back schemes, product stewardship and design improvements.

Linking to our climate action plan

Remuneration

Historically, Summerset's short-term and long-term incentive schemes have not contained specific sustainability or climate-related targets. However from FY24 relevant members of the ELT have a specific KPI in their STI which is weighted towards sustainability and climate change.

Each KPI element represents a 10% weighting making it a material component. These KPIs are designed to drive greater focus and integration of sustainability while managing climate change awareness and risk in the business.

Capital investment

Summerset's commitment to meeting our emissions reduction targets and implementing climate-related initiatives is primarily (but not exhaustively) funded through capital expenditure captured in either:

- Sustainability Initiatives Budget (part of our property and asset management programme)
- Decarbonisation Fund (part of our sustainability programme)
- Village Refurbishment Project Budget (part of our design and development programme)

Other sources of emissions reductions and climate resilience expenditure occur through operational expenditure in our asset maintenance programme.

FY23 capital expenditure and investment towards climate-related risks and opportunities (current operations)

ITEM	FY23 SPEND	METHOD/ASSUMPTIONS
Renewable energy development (solar) (supports climate-related risks/opportunities) OP – 01	350,000	The amount reflects the spend on solar solution initiatives. These initiatives include rooftop solar being installed on our stand-alone common area buildings and regional main buildings. These initiatives to date form part of a wider roll-out plan requiring additional spend allocations to the end of FY27 in line with our decarbonisation pathway and to meet our 2027 science-aligned target
Investment in energy solutions projects (supports climate-related risks/opportunities) OP – 01	450,000	The amount reflects spend on various energy solution initiatives undertaken throughout 2023. These initiatives range from installing EV charging stations, transitioning existing villages off gas, upgrading villages to LED lighting, and installing additional water metering
Embodied carbon measurement solution (supports climate-related risks/opportunities) OP – 02	6,000	Investment in a solution to measure and report on the embodied carbon of our built environment. Work to date has focussed on producing measurement of two standard typologies
Construction waste avoidance	400,000	In 2023 our costruction waste avoidance initiative diverted 4,372 tonnes of waste away from landfill. This initiative will continue to investigate opportunities to reduce construction wate through increased reuse and recyling, working with suppliers to reduce waste and designing out waste

** Rounded to nearest 000*

Above: Communal vegetable garden

GHG emissions reduction and energy management plan

We are committed to achieving our short- and medium-term science-aligned targets and have identified the focal areas that are central to us achieving them. In 2022 we began developing our scope 1 and 2 decarbonisation pathway which allowed us to identify our focus areas for action. We refined this further in 2023 and commenced actioning a number of the initiatives identified. This included the investment in retrofitting solar panels on village centre buildings to generate renewable energy-reducing our scope 2 emissions, as well as the replacement of old lights with new high-efficiency LED lights at many of our older villages.

In parallel, we have built energy reducing initiatives and operational improvement programmes into our 2024 property and asset management cycles to support decarbonisation and the optimisation of operational plant, and all new villages released as part of our build programme will contribute toward meeting our reduction targets as they are all electric developments and feature energy saving features which make them more energy efficient per square metre than our existing assets.

Impact of decarbonisation initiatives

We have taken steps to review the expected performance and impact of our decarbonisation initiatives on our emissions intensity, and our ability to achieve our short-term 2027 science-aligned target. There are real challenges with decarbonisation, with a number of technical, social and commercial (including operating in Australia) barriers to address.

Cost of carbon

Summerset applies a cost of carbon based on the New Zealand emissions unit (NZU) pricing and policy assumptions at the time. This cost of carbon is used to calculate the profitability of projects with a sustainability focus, including the decarbonisation initiatives.

As Summerset's emission reduction plan continues to be implemented, this carbon price will be used increasingly across different units as a determinant of business to assess feasibility. Summerset uses a carbon abatement cost as one measure in the assessment of a given energy initiative project to provide an indication of viability.

An example of this in practice is in assessing the carbon abatement potential of switching gas water heating systems to electric hot water heat pump technology. The project carbon abatement cost was at $370 per tonne against a shadow carbon price of $151, indicating that the project was not economically viable from a standalone financial perspective.

Summerset has committed to a decarbonisation pathway and takes a modified approach when determining emission savings initiatives. This includes each opportunity being considered and progressed on the merits of the project, which include carbon, climate impacts, financial and operational implications.

We are also working on incorporating embodied carbon assessments into capital projects. This involves measuring the carbon footprint of a project so that we understand the unavoidable emissions of the project, and can weigh up the impact different options have, so we can make more informed decisions about what materials we purchase.

Forecast impact of initiatives on emissions intensity per m2 (tCO_2e)

	FY17	FY23	FY24 Forecast	FY27 Target	FY32 Target
Pre initiatives emissions per m2	7.15	5.96*	5.55		
Post initiatives emissions per m2	7.15	5.89	5.22		
Post initiatives & RECs emissions per m2	7.15	3.03	2.81	4.58	2.72

** Impact of initiatives are calculated using data from monitoring systems and energy saving assumptions*

Note:
Forecast emission savings are calculated based on assumptions from our decarbonisation pathway and preliminary results from initiatives underway
The net impact of initiatives have been reported e.g. accounts for increase in electricity consumption due to gas transition
The denominator (square meters) refers to the gross floor area of all structures that are operational and/or available for occupancy
Forecast for square meterage is based on our forecast delivery schedule as at FY23
Prior to 2023 figures are calculated using the location based method. Market based method is used for subsequent years
Historical emissions factor changes have been taken into account
Based on carbon inventory as audited by 3rd party FY23

Key metrics with associated targets

Summerset's key metrics and associated targets, along with our performance in FY23 are detailed in the table below. Both of our GHG emissions reduction targets are aligned with limiting global warming to 1.5°C above pre-industrial levels to support New Zealand's commitment under the Paris Agreement, and they meet the target setting criteria of the Science Based Target Initiative (SBTi). Additionally, our targets have been verified as science-aligned as part of our Toitu Envirocare net carbon zero certification and our Climate Leaders Coalition membership.

	TARGET	BASELINE AND HISTORY	PERFORMANCE	METHOD/ASSUMPTIONS
GHG EMISSIONS PROFILE	**1. SHORT (5 YEAR)** **34%** ⌄ Reduction in emissions intensity per sqm by 2027 based on 2022 baseline **2. MED-LONG (10+ YEARS)** **62%** ⌄ Reduction in emissions intensity per sqm by 2032 based on 2017 baseline	**FY22 (BASELINE):** **GHG EMISSIONS INTENSITY OF 6.94* kCO2/m2** **FY17 (BASELINE):** **GHG EMISSIONS INTENSITY OF 7.15* kCO2/m2** ** Adjusted for historical emissions factor changes*	**FY23:** 1. GHG emissions Intensity of 3.03 kCO2/m2 has been achieved In 2023 the below initiatives and outcomes drove our performance. • A national solar panel supplier has been confirmed allowing creation of a roll-out plan for retrofitting existing villages, care centre refurbishments and new villages. Solar has been installed at Nelson, Karaka, Manukau and Richmond so far • Completion of LED upgrades • Gas transition replacement programme for existing villages planned and our first two transition projects are currently under feasability study • Purchase agreement for Renewable Energy Certificates (RECs)	**SOURCES OF UNCERTAINTY TO NOTE INCLUDE:** • Data provided as part of project analysis including weather pattern variances and behavioural estimates/averages • Future operating conditions can dictate performance • Ability to retrofit into existing infrastructure **METHOD OF CALCULATION:** Summerset's emissions are measured in accordance with ISO 14064-1:2018, and meeting the requirements of International Standard ISO 14064-1 Greenhouse gases – Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals ('ISO 14064-1:2018') **Target Supports:** **PR-01, PR-02, TR-01, TR-02, OP-01, OP-02, OP-03**
INCREASE IN SUPPLIER ENGAGEMENT	**67%** ⌃ Engage and encourage our supply chain to measure and report their emissions by 2027 (based on scope 3 emissions)	**FY23 OUR SCOPE 3:** **VALUE CHAIN EMISSIONS WERE 100,697 tCO2e. THIS IS OUR FIRST YEAR OF FULL SCOPE 3 VALUE CHAIN REPORTING**	**FY23:** We measured our full value chain. Throughout the year we commenced working with our highest materials and products emitters so we can get better accuracy in our measurement, and identified current suppliers who measure and report on their own emissions. This included the use of EPD's from a number of major suppliers	**SOURCE OF UNCERTAINTY TO NOTE INCLUDE:** • Method of calculation (predominantly spend based) • Supplier awareness and willingness to engage **METHOD OF CALCULATION:** Used Toitū supplied carbon value chain calculator as part of our annual inventory verification **Target Supports:** **TR-01, TR-02, OP-02, OP-03**

MSCI

AAA

ESG RATING (2024)

CRAIGS INVESTMENT PARTNERS

4.9

ESG RATING (2022)

FORSYTH BARR

A-

ESG RATING (2023)

CDP DISCLOSURE INSIGHT ACTION

A-

SUPPLIER ENGAGEMENT (2022)

CDP DISCLOSURE INSIGHT ACTION

B

CLIMATE CHANGE (2023)

TOITŪ NET CARBON ZERO ISO 14064-1 ORGANISATION

RVA NEW ZEALAND Retirement Villages Association

CONSTRUCTION SECTOR ACCORD BEACONS AWARDS

TCFD

Summerset Prebbleton

Contact us

For further information about our sustainability approach and efforts, please contact us at investor.relations@summerset.co.nz

Summerset Group Holdings Limited

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100 Willis St, Wellington

www.summerset.co.nz

Financial statements

Income Statement

For the year ended 31 December 2023

	NOTE	2023 $000	2022 $000
Care fees and village services	4	165,945	144,631
Deferred management fees	4	104,557	92,332
Other income	4	1,701	1,749
Total revenue		**272,203**	**238,712**
Fair value movement of investment property	12	441,553	268,757
Total income		**713,756**	**507,469**
Operating expenses	5	(247,983)	(211,795)
Depreciation and amortisation expense	10, 11	(15,797)	(13,597)
Total expenses		**(263,780)**	**(225,392)**
Operating profit before financing costs		**449,976**	**282,077**
Finance costs	6	(27,496)	(16,960)
Profit before income tax		**422,480**	**265,117**
Income tax credit	7	13,839	3,955
Profit for the period		**436,319**	**269,072**
Basic earnings per share (cents)	21	187.43	116.66
Diluted earnings per share (cents)	21	187.09	116.36

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2023

	NOTE	2023 $000	2022 $000
Profit for the period		**436,319**	**269,072**
Fair value (loss)/gain on interest rate swaps	15	(24,627)	30,272
Tax on items of other comprehensive income	7	7,082	(8,718)
Loss on translation of foreign currency operations		(200)	(68)
Other comprehensive income that will be reclassified subsequently to profit or loss for the period net of tax		**(17,745)**	**21,486**
Net revaluation of property, plant and equipment	10	33,793	4,566
Tax on items of other comprehensive income	7	(9,462)	(1,278)
Other comprehensive income which will not be reclassified subsequently to profit or loss for the period net of tax		**24,331**	**3,288**
Total comprehensive income for the period		**442,905**	**293,846**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2023

	SHARE CAPITAL $000	HEDGING RESERVE $000	REVALUATION RESERVE $000	RETAINED EARNINGS $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	TOTAL EQUITY $000
As at 1 January 2022	**324,899**	**(2,705)**	**60,272**	**1,542,046**	**2**	**1,924,514**
Profit for the period	-	-	-	269,072	-	269,072
Other comprehensive income for the period	-	21,554	3,288	-	(68)	24,774
Total comprehensive income for the period	**-**	**21,554**	**3,288**	**269,072**	**(68)**	**293,846**
Dividends paid	-	-	-	(44,650)	-	(44,650)
Shares issued	18,629	-	-	-	-	18,629
Employee share plan option cost	684	-	-	-	-	684
As at 31 December 2022	**344,212**	**18,849**	**63,560**	**1,766,468**	**(66)**	**2,193,023**
As at 1 January 2023	**344,212**	**18,849**	**63,560**	**1,766,468**	**(66)**	**2,193,023**
Profit for the period	-	-	-	436,319	-	436,319
Other comprehensive income for the period	-	(17,545)	24,331	-	(200)	6,586
Total comprehensive income for the period	**-**	**(17,545)**	**24,331**	**436,319**	**(200)**	**442,905**
Dividends paid	-	-	-	(53,260)	-	(53,260)
Shares issued	19,501	-	-	-	-	19,501
Employee share plan option cost	3,199	-	-	-	-	3,199
As at 31 December 2023	**366,912**	**1,304**	**87,891**	**2,149,527**	**(266)**	**2,605,368**

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 December 2023

	NOTE	2023 $000	2022 $000
Assets			
Cash and cash equivalents		12,648	25,347
Trade and other receivables	8	44,330	36,727
Interest rate swaps	15	19,308	27,228
Asset held for sale	9	45,000	-
Property, plant and equipment	10	403,248	326,050
Intangible assets	11	8,421	7,251
Investment property	12	6,407,150	5,417,719
Investments		1,576	-
Total assets		**6,941,681**	**5,840,322**
Liabilities			
Trade and other payables	13	172,670	178,556
Employee benefits	14	30,753	27,565
Revenue received in advance	4	185,514	161,569
Interest rate swaps	15	16,628	10,299
Residents' loans	16	2,507,112	2,165,352
Interest-bearing loans and borrowings	18	1,393,523	1,060,494
Lease liability	17	14,130	15,970
Deferred tax liability	7	15,983	27,494
Total liabilities		**4,336,313**	**3,647,299**
Net assets		**2,605,368**	**2,193,023**
Equity			
Share capital	20	366,912	344,212
Reserves	20	88,929	82,343
Retained earnings		2,149,527	1,766,468
Total equity attributable to shareholders		**2,605,368**	**2,193,023**

The accompanying notes form part of these financial statements.

Authorised for issue on 23 February 2024 on behalf of the Board

Mark Verbiest
Director and Chair of the Board

Fiona Oliver
Director and Chair of the Audit and Risk Committee

Statement of Cash Flows

For the year ended 31 December 2023

	2023 $000	2022 $000
Cash flows from operating activities		
Receipts from residents:		
- care fees and village services	165,341	142,482
- deferred management fees	155,802	137,328
- residents' loans - new occupation right agreements	266,703	258,926
- residents' loans - resales of occupation right agreements (net)	44,784	36,901
Interest received	1,701	413
Payments to suppliers and employees	(236,156)	(206,871)
Net cash flow from operating activities	**398,175**	**369,179**
Cash flows to investing activities		
Sale of investment property	-	6,335
Payments for investment property:		
- land	(56,489)	(185,469)
- construction of retirement units and village facilities	(479,809)	(385,096)
- refurbishment of retirement units and village facilities	(19,391)	(9,727)
Payments for property, plant and equipment:		
- construction of care centres[1]	(45,230)	(42,819)
- refurbishment of care centres	(128)	(1,246)
- other	(10,760)	(7,580)
Payments for intangible assets	(2,281)	(1,908)
Capitalised interest paid	(52,794)	(24,235)
Acquisition of long-term investments	(1,587)	-
Net cash flow to investing activities	**(668,469)**	**(651,745)**
Cash flows from financing activities		
Net proceeds from bank borrowings	247,928	342,207
Proceeds from issue of retail bonds	175,000	-
Repayment of retail bonds	(100,000)	-
Proceeds from issue of shares	-	1,633
Interest paid on borrowings	(28,374)	(14,258)
Payments in relation to lease liabilities	(2,614)	(1,920)
Dividends paid	(34,288)	(28,166)
Net cash flow from financing activities	**257,652**	**299,496**

1 Included in the construction of care centres is $1.7m relating to care centre upgrades.

The accompanying notes form part of these financial statements.

Statement of Cash Flows (continued)

For the year ended 31 December 2023

	2023 $000	2022 $000
Net (decrease)/increase in cash and cash equivalents	(12,642)	16,930
Cash and cash equivalents at beginning of period	25,347	8,422
Foreign currency translation adjustment	(57)	(5)
Cash and cash equivalents at end of period	**12,648**	**25,347**

Reconciliation of Operating Results and Operating Cash Flows

For the year ended 31 December 2023

	2023 $000	2022 $000
Profit for the period	**436,319**	**269,072**
Adjustments for:		
Depreciation and amortisation expense	15,797	13,597
Fair value movement of investment property	(441,553)	(268,757)
Net finance costs paid	27,496	16,960
Gain on sale of investment property	-	(1,336)
Income tax credit	(13,839)	(3,955)
Deferred management fees amortisation	(104,557)	(92,332)
Employee share plan option cost	3,764	1,196
Other non-cash items	26	(26)
	(512,866)	**(334,653)**
Movements in working capital		
Net increase in trade and other receivables	(7,596)	(8,371)
Net increase in employee benefits	3,614	5,985
Net increase in trade and other payables	7,369	5,485
Increase in residents' loans net of non-cash amortisation	471,335	431,661
	474,722	**434,760**
Net cash flow from operating activities	**398,175**	**369,179**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2023

1. Summary of accounting policies

Reporting entity

The consolidated financial statements presented for the year ended 31 December 2023 are for Summerset Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"). The Group develops, owns and operates integrated retirement villages.

Summerset Group Holdings Limited is registered in New Zealand under the Companies Act 1993 and is a FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013. The Company is listed on the New Zealand Stock Exchange (NZX), being the Company's primary exchange, and is listed on the Australian Securities Exchange (ASX) as a foreign exempt listing.

Basis of preparation

These consolidated financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP), except for Note 2: Non-GAAP underlying profit, which is presented in addition to NZ GAAP compliant information. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards and the requirements of the Financial Markets Conduct Act 2013.

These financial statements are expressed in New Zealand dollars, which is the Company's and New Zealand subsidiaries' functional currency. The functional currency of the Company's Australian subsidiaries is Australian dollars. All financial information has been rounded to the nearest thousand, unless otherwise stated.

All amounts are shown exclusive of goods and services tax (GST), except for trade receivables and trade payables, and except where the amount of GST incurred is not recoverable. When this occurs, GST is recognised as part of the cost of the asset or as an expense as applicable.

The measurement basis adopted in the preparation of these financial statements is historical cost, with the exception of the items noted below.

- Asset held for sale – Note 9
- Buildings – Note 10
- Investment property – Note 12
- Investments
- Interest rate swaps – Note 15
- Retail bonds – Note 18

Basis of consolidation

Subsidiaries are fully consolidated at the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group transactions and balances arising within the Group are eliminated in full.

All subsidiary companies are 100% owned and incorporated in New Zealand or Australia with a balance date of 31 December.

The New Zealand subsidiaries are:

Summer Land Developments Limited
Summerset Care Limited
Summerset Holdings Limited
Summerset LTI Trustee Limited
Summerset Management Group Limited
Summerset Properties Limited
Summerset Retention Trustee Limited
Summerset Villages (Aotea) Limited
Summerset Villages (Avonhead) Limited
Summerset Villages (Bell Block) Limited
Summerset Villages (Blenheim) Limited
Summerset Villages (Cambridge) Limited
Summerset Villages (Casebrook) Limited
Summerset Villages (Dunedin) Limited
Summerset Villages (Ellerslie) Limited
Summerset Villages (Half Moon Bay) Limited
Summerset Villages (Hamilton) Limited
Summerset Villages (Hastings) Limited
Summerset Villages (Havelock North) Limited
Summerset Villages (Hobsonville) Limited
Summerset Villages (Karaka) Limited
Summerset Villages (Katikati) Limited
Summerset Villages (Kelvin Grove) Limited
Summerset Villages (Kenepuru) Limited
Summerset Villages (Levin) Limited
Summerset Villages (Lower Hutt) Limited
Summerset Villages (Manukau) Limited
Summerset Villages (Milldale) Limited
Summerset Villages (Mosgiel) Limited
Summerset Villages (Napier) Limited
Summerset Villages (Nelson) Limited
Summerset Villages (New Plymouth) Limited
Summerset Villages (Number 42) Limited
Summerset Villages (Number 44) Limited
Summerset Villages (Number 47) Limited
Summerset Villages (Number 48) Limited
Summerset Villages (Number 49) Limited
Summerset Villages (Number 50) Limited
Summerset Villages (Number 51) Limited
Summerset Villages (Number 52) Limited
Summerset Villages (Number 53) Limited
Summerset Villages (Number 54) Limited
Summerset Villages (Number 55) Limited
Summerset Villages (Palmerston North) Limited
Summerset Villages (Papamoa) Limited
Summerset Villages (Paraparaumu) Limited
Summerset Villages (Parnell) Limited
Summerset Villages (Prebbleton) Limited
Summerset Villages (Rangiora) Limited
Summerset Villages (Richmond) Limited
Summerset Villages (Rotorua) Limited
Summerset Villages (Rototuna) Limited
Summerset Villages (St Johns) Limited
Summerset Villages (Taupo) Limited
Summerset Villages (Te Awa) Limited
Summerset Villages (Trentham) Limited
Summerset Villages (Waikanae) Limited
Summerset Villages (Wanganui) Limited
Summerset Villages (Warkworth) Limited
Summerset Villages (Whangarei) Limited
Summerset Villages (Wigram) Limited
Welhom Developments Limited

The Australian subsidiaries are:

Summerset Care (Australia) Pty Limited
Summerset Holdings (Australia) Pty Limited
Summerset Management Group (Australia) Pty Limited
Summerset Villages (Chirnside Park) Pty Limited
Summerset Villages (Craigieburn) Pty Limited
Summerset Villages (Cranbourne North) Pty Limited
Summerset Villages (Drysdale) Pty Limited
Summerset Villages (Mernda) Pty Limited
Summerset Villages (Number 4) Pty Limited
Summerset Villages (Number 8) Pty Limited
Summerset Villages (Number 9) Pty Limited
Summerset Villages (Number 10) Pty Limited
Summerset Villages (Number 11) Pty Limited
Summerset Villages (Number 12) Pty Limited
Summerset Villages (Number 13) Pty Limited
Summerset Villages (Number 14) Pty Limited
Summerset Villages (Number 15) Pty Limited
Summerset Villages (Number 16) Pty Limited
Summerset Villages (Number 17) Pty Limited
Summerset Villages (Number 18) Pty Limited
Summerset Villages (Number 19) Pty Limited
Summerset Villages (Number 20) Pty Limited
Summerset Villages (Number 21) Pty Limited
Summerset Villages (Oakleigh South) Pty Limited
Summerset Villages (Torquay) Pty Limited

Notes to the financial statements (continued)

Accounting policies

Accounting policies that summarise the measurement basis used and that are relevant to the understanding of the financial statements are provided throughout the accompanying notes.

The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements.

The Group adopted all mandatory new and amended NZ IFRS Standards and Interpretations and there has been no material impact on the Group's financial statements.

There are no new standards, amendments or interpretations that have been issued and are not yet effective, that are expected to have a significant impact on the Group.

During the period, the Group reviewed its cash flows from operating activities disclosure. The Statement of Cash Flows presentation has been amended to more accurately reflect the nature of the cash flows and to assist users of the financial statements. Previously cash receipts received from residents relating to expected deferred management fees were included in the receipts for residents' loans categories. This has now been split into its own category.

Critical accounting estimates and judgements

In preparing the financial statements, management has made estimates and assumptions about the future that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from those estimates.

Estimates and assumptions are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The principal areas of judgement in preparing these financial statements are described in the following notes:

- Deferred management fees – Note 4
- Deferred taxation – Note 7
- Interest rate swaps – Note 15
- Leases – Note 17
- Revenue in advance – Note 4
- Valuation of investment property – Note 12
- Valuation of buildings – Note 10
- Valuation of retail bonds – Note 18
- Valuation of asset held for sale - Note 9

Comparative information

The Statement of Cash Flows presentation has been amended to separately disclose cash receipts from residents relating to deferred management fees. This amendment has been applied retrospectively and the impact on the comparative periods is shown below:

	2022 Reported $000	Reclass $000	2022 Reclassified $000
Statement of Cash Flows			
Receipts from residents:			
- residents' loans - new occupation right agreements	347,278	(88,352)	258,926
- residents' loans - resales of occupation right agreements (net)	85,877	(48,976)	36,901
- deferred management fees	-	137,328	137,328

2. Non-GAAP underlying profit

	Ref	2023 $000	2022 $000
Profit for the period		436,319	269,072
Less fair value movement of investment property	a)	(441,553)	(268,757)
Less reversal of impairment of assets	b)	-	-
Add realised gain on resales	c)	88,131	70,191
Add realised development margin	d)	121,231	104,869
Less deferred tax credit	e)	(13,839)	(3,955)
Underlying profit		**190,289**	**171,420**

Underlying profit is a non-GAAP measure and differs from NZ IFRS profit for the period. Underlying profit does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The Directors have provided an underlying profit measure in addition to IFRS profit to assist readers in determining the realised and unrealised components of fair value movement of investment property, impairment and tax expense in the Group's income statement. The measure is used internally in conjunction with other measures to monitor performance and make investment decisions. Underlying profit is a measure that the Group uses consistently across reporting periods. Underlying profit is used to determine the dividend pay-out to shareholders.

This statement presented is for the Group, prepared in accordance with the Basis of preparation: underlying profit described below.

Basis of preparation: underlying profit

Underlying profit is determined by taking profit for the period determined under NZ IFRS, adjusted for the impact of the following:

a) Less fair value movement of investment property: reversal of investment property valuation changes recorded in NZ IFRS profit for the period, which comprise both realised and non-realised valuation movements. This is reversed and replaced with realised development margin and realised resale gains during the period, effectively removing the unrealised component of the fair value movement of investment property.

b) Less reversal of impairment of assets: remove the impact of non-cash care centre valuation changes recorded in NZ IFRS profit for the period. Care centres are valued annually, with fair value gains flowing through to the revaluation reserve unless the gain offsets a previous impairment to fair value that was recorded in NZ IFRS profit. Where there is any impairment of a care centre, or reversal of a previous impairment that impacts NZ IFRS profit for the period, this is eliminated for the purposes of determining underlying profit.

c) Add realised gain on resales: add the realised gains across all resales of occupation rights during the period. The realised gain for each resale is determined to be the difference between the licence price for the previous occupation right for a unit and the occupation right resold for that same unit during the period. Realised resale gains are a measure of the cash generated from increases in selling prices of occupation rights to incoming residents, less cash amounts repaid to vacated residents for the repayment of the price of their refundable occupation right purchased in an earlier period, with the recognition point being the cash settlement. Realised resale gains exclude deferred management fees and refurbishment costs.

d) Add realised development margin: add realised development margin across all new sales of occupation rights during the period, with the recognition point being the cash settlement. Realised development margin is the margin earned on the first time sale of an occupation right following the development of a unit. The margin for each new sale is determined to be the licence price for the occupation right, less the cost of developing that unit.

   Components of the cost of developing units include directly attributable construction costs and a proportionate share of the following costs:

   - Infrastructure costs
   - Land cost on the basis of the purchase price of the land
   - Interest during the build period
   - Head office costs directly related to the construction of units

   All costs above include non-recoverable GST.

   Development margin excludes the costs of developing common areas within the retirement village (including a share of the proportionate costs listed above). This is because these areas are assets that support the sale of occupation rights for not just

Notes to the financial statements (continued)

the new sale but for all subsequent resales. It also excludes the costs of developing care centres.

Where costs are apportioned across more than one asset, the apportionment methodology is determined by considering the nature of the cost.

Where a unit not previously sold under occupation right agreement is converted to a unit sold under occupation right agreement, realised development margin recognised on the new sale of these units includes the following costs:

- Conversion costs
- A fair value apportionment reflecting the value of the property immediately prior to conversion

e) Add/(less) deferred tax expense/(credit): reversal of the impact of deferred taxation.

Underlying profit does not include any adjustments for abnormal items or fair value movements on financial instruments that are included in NZ IFRS profit for the period.

3. Segment reporting

The Group operates in one industry, being the provision of integrated retirement villages. The services provided across all of the Group's villages are similar, as are the type of customer and the regulatory environment. The chief operating decision makers, the Chief Executive Officer and the Board, review the operating results of the Group as a whole on a regular basis. On this basis, the Group has one reportable segment, and the Group results are the same as the results of the reportable segment. All resource allocation decisions across the Group are made to optimise the consolidated Group's result.

The Group continues to proceed with its expansion into Australia with seven sites purchased to date. These sites are currently being, or will be, developed into retirement villages. To date the activities in Australia have been immaterial to the Group and so are not reported as a separate operating segment as at 31 December 2023.

Te Whatu Ora is a significant customer of the Group, as the Group derives care fee revenue in respect of eligible government subsidised aged care residents. Fees earned from Te Whatu Ora for the year ended 31 December 2023 amounted to $44.3 million (2022: $36.1 million). No other customers individually contribute a significant proportion of the Group revenue. All revenue is earned in New Zealand, apart from a small amount of interest income earned in Australia.

4. Revenue

Care fees and village services income are charged to residents on a monthly basis, as agreed, and are recognised over time. A portion of village services is considered lease income based on the nature of the services provided.

Deferred management fees, which entitle residents to accommodation and the use of the community facilities within the village, are recognised over the period of service, being the greater of the expected period of tenure or the contractual right to revenue. The expected periods of tenure, being based on historical Group averages, are estimated to be seven to eight years for villas, five years for apartments, three years for serviced apartments and memory care apartments, and two years for care suites. Where the deferred management fees over the contractual period exceed the amortisation of the deferred management fee based on estimated tenure, the amount is recorded as a liability (revenue in advance). At balance date, the majority of the revenue in advance balance is non-current.

Other income comprises:

	2023 $000	2022 $000
Interest received	1,701	413
Other income	-	1,336
Total other income	**1,701**	**1,749**

Interest income is recognised in the income statement as it accrues, using the effective interest method. Other income is recognised in the income statement in the period in which the performance obligations have been satisfied.

5. Operating expenses

	2023 $000	2022 $000
Employee expenses	153,478	132,937
Property-related expenses	26,643	22,479
Repairs and maintenance expenses	10,041	7,771
Other operating expenses	57,821	48,608
Total operating expenses	**247,983**	**211,795**

Employee expenses include post-employment benefits (KiwiSaver/Superannuation) of $5.3 million (2022: $4.0 million).

Other operating expenses include:

	2023 $000	2022 $000
Remuneration paid to auditors:		
- Audit and review of financial statements	345	304
- Other assurance services - sustainability linked lending assurance	52	26
- Remuneration advisory services	6	5
- Other services - training	5	-
Donations	9	158

6. Finance costs

	2023 $000	2022 $000
Interest on bank loans, retail bonds and related fees	81,145	41,737
Interest on interest rate swaps	(3,584)	159
Interest on lease liability	520	557
Capitalised finance costs	(50,974)	(25,493)
Fair value movement of interest rate swaps through profit or loss	(10,394)	11,817
Fair value movement of retail bonds designated in a fair value hedge relationship	10,394	(11,817)
Other	389	-
Finance costs	**27,496**	**16,960**

Interest expense comprises interest payable on borrowings and is calculated using the effective interest rate method.

Borrowing costs are capitalised for property, plant and equipment (Note 10), and investment property (Note 12), if they are directly attributable to the construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset commence and expenditure and borrowing costs are incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use.

Borrowing costs of $51.0 million (2022: $25.5 million) have been capitalised during the period of construction in the current year. The weighted average capitalisation rate on funds borrowed representing the borrowing costs of the loans used to finance projects is 5.09% per annum (2022: 3.42% per annum).

Two of the Group's retail bonds are designated in a fair value hedging relationship. Details of fair value hedging are included in Note 15.

Notes to the financial statements (continued)

7. Income tax

Tax expense comprises current and deferred tax, calculated using the tax rate enacted or substantively enacted at balance date and any adjustment to tax payable in respect of prior years. Tax expense is recognised in the income statement, except when it relates to items recognised directly in the statement of comprehensive income, in which case the tax expense is recognised in the statement of comprehensive income.

Deferred tax expense is recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable it will be utilised. Temporary differences for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, unless they arise from business combination, are not provided for.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(a) Income tax recognised in the income statement

	2023 $000	2022 $000
Tax expense comprises:		
Deferred tax relating to the origination and reversal of temporary differences	(13,839)	(3,955)
Total tax credit reported in income statement	**(13,839)**	**(3,955)**

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2023		2022	
	$000	%	$000	%
Profit before income tax	**422,480**		**265,117**	
Income tax using the corporate tax rate	118,294	28.0%	74,233	28.0%
Capitalised interest	(14,267)	(3.4%)	(7,138)	(2.7%)
Other non-deductible expenses	686	0.2%	348	0.1%
Non-assessable investment property revaluations	(126,539)	(30.0%)	(70,917)	(26.7%)
Other	6,881	1.6%	(560)	(0.2%)
Prior period adjustments	1,106	0.3%	79	0.0%
Total income tax credit	**(13,839)**	**(3.3%)**	**(3,955)**	**(1.5%)**

The Group tax losses are as follows:

	2023 $000	2022 $000
Tax losses available	601,269	450,670
Tax effected	169,017	126,662
Unrecognised tax losses	7,918	-

(b) Amounts charged or credited to other comprehensive income

	2023 $000	2022 $000
Tax expense comprises:		
Net gain on revaluation of property, plant and equipment	9,462	1,278
Fair value movement of interest rate swaps	(7,082)	8,718
Total tax expense reported in statement of comprehensive income	**2,380**	**9,996**

(c) Amounts charged or credited directly to equity

	2023 $000	2022 $000
Tax expense comprises:		
Deferred tax relating to employee share option plans	(52)	1,517
Total tax (credit)/expense reported directly in equity	**(52)**	**1,517**

(d) Imputation credit account

There were no imputation credits received or paid during the year and the balance at 31 December 2023 is nil (2022: nil).

(e) Deferred tax

Movement in the deferred tax balance comprises:

	BALANCE 1 JAN 2023 $000	RECOGNISED IN INCOME $000	RECOGNISED DIRECTLY IN EQUITY $000	RECOGNISED IN OCI* $000	BALANCE 31 DEC 2023 $000
Property, plant and equipment	30,321	(2,026)	-	9,462	37,757
Investment property	54,435	4,160	-	-	58,595
Revenue in advance	66,159	18,438	-	-	84,597
Interest rate swaps	7,717	-	-	(7,082)	635
Income tax losses not yet utilised	(126,662)	(34,437)	-	-	(161,099)
Other items	(4,476)	26	(52)	-	(4,502)
Net deferred tax liability	**27,494**	**(13,839)**	**(52)**	**2,380**	**15,983**

Notes to the financial statements (continued)

	BALANCE 1 JAN 2022 $000	RECOGNISED IN INCOME $000	RECOGNISED DIRECTLY IN EQUITY $000	RECOGNISED IN OCI* $000	BALANCE 31 DEC 2022 $000
Property, plant and equipment	28,896	147	-	1,278	30,321
Investment property	42,664	11,771	-	-	54,435
Revenue in advance	49,465	16,694	-	-	66,159
Interest rate swaps	(1,001)	-	-	8,718	7,717
Income tax losses not yet utilised	(95,779)	(30,883)	-	-	(126,662)
Other items	(4,309)	(1,684)	1,517	-	(4,476)
Net deferred tax liability	**19,936**	**(3,955)**	**1,517**	**9,996**	**27,494**

* Other comprehensive income

8. Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses. Trade receivables are not significant on an individual basis and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate, less an allowance for doubtful debts. The allowance for doubtful debts is made up of expected credit losses based on assessment of trade receivables debt at the individual level for impairment, plus an additional allowance on the remaining balance for potential credit losses not yet identified. The expected credit losses allowance requirement on the remaining balance has been set at 2%.

	2023 $000	2022 $000
Trade receivables	5,392	4,923
Allowance for doubtful debts	(246)	(239)
Net trade receivables	**5,146**	**4,684**
Prepayments	18,528	13,550
Accrued income	2,643	3,001
Sundry debtors	18,013	15,492
Total trade and other receivables	**44,330**	**36,727**

9. Asset held for sale

Following a review of the Group's land portfolio, land at Parnell in Auckland is being held for sale. The land is being actively marketed for sale and a sale is expected to take place within 12 months. The land is being held at its fair value. The fair value of the land was determined by independent registered valuers Jones Lang LaSalle Limited ("JLL") using the direct comparison approach.

10. Property, plant and equipment

Property, plant and equipment includes care centres (including memory care apartments and care suites), both complete and under development, and corporate assets held.

All property, plant and equipment is initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed care centres includes directly attributable construction costs and other costs necessary to bring the care centres to working condition for their intended use. These other costs include professional fees and consents, interest during the build period and head office costs directly related to the construction of the care centres. Where costs are apportioned across more than one asset, the apportionment methodology is determined by considering the nature of the cost.

Subsequent to initial recognition, completed care centres are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses, if any, since the assets were last revalued. Other corporate assets are subsequently measured at cost less accumulated depreciation and impairment losses, if any. Where an item of plant and equipment is disposed of, the gain or loss recognised in the income statement is calculated as the difference between the net sales price and the carrying amount of the asset.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is recognised in other comprehensive income unless it reverses a revaluation decrease of the same asset previously recognised in the income statement. Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus in the same asset in other comprehensive income. Any accumulated depreciation at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

Note 6 provides details on capitalised borrowing costs.

Depreciation is charged to the income statement on a straight-line (SL) basis over the estimated useful life of each item of property, plant and equipment, with the exception of land, which is not depreciated. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Major depreciation rates are as follows:

- Buildings (2% to 14% SL)
- Motor vehicles (8% to 10% SL)
- Furniture and fittings (7% to 20% SL)
- Plant and equipment (7% to 50% SL)

Also included in the buildings category is building fit-out.

Right of use assets are depreciated on an SL basis over the term of their lease. Refer to Note 17.

Notes to the financial statements (continued)

	BUILDINGS $000	MOTOR VEHICLES $000	PLANT AND EQUIPMENT $000	FURNITURE AND FITTINGS $000	RIGHT OF USE ASSETS $000	TOTAL $000
Cost						
Balance at 1 January 2022	247,428	3,323	27,047	9,390	13,693	300,881
Additions	42,719	1,888	5,745	1,277	5,064	56,693
Disposals	-	(51)	-	-	(654)	(705)
Net revaluations through other comprehensive income	(2,512)	-	-	-	-	(2,512)
Balance at 31 December 2022	**287,635**	**5,160**	**32,792**	**10,667**	**18,103**	**354,357**
Additions	46,193	1,725	9,263	736	930	58,847
Disposals	-	(28)	(7)	-	-	(35)
Remeasurements	-	-	-	-	(691)	(691)
Net revaluations through other comprehensive income	25,416	-	-	-	-	25,416
Balance at 31 December 2023	**359,244**	**6,857**	**42,048**	**11,403**	**18,342**	**437,894**
Accumulated depreciation						
Balance at 1 January 2022	-	1,354	12,228	6,236	3,348	23,166
Depreciation charge for the year	7,078	303	2,681	908	1,651	12,621
Disposals	-	(49)	-	-	(353)	(402)
Net revaluations through other comprehensive income	(7,078)	-	-	-	-	(7,078)
Balance at 31 December 2022	**-**	**1,608**	**14,909**	**7,144**	**4,646**	**28,307**
Depreciation charge for the year	8,377	375	3,224	805	1,968	14,749
Disposals	-	(28)	(5)	-	-	(33)
Net revaluations through other comprehensive income	(8,377)	-	-	-	-	(8,377)
Balance at 31 December 2023	**-**	**1,955**	**18,128**	**7,949**	**6,614**	**34,646**
Carrying amounts						
As at 31 December 2022	287,635	3,552	17,883	3,523	13,457	326,050
As at 31 December 2023	**359,244**	**4,902**	**23,920**	**3,454**	**11,728**	**403,248**

Buildings include $51.1 million of care centres under development carried at fair value, which reflects cost due to the proximity of completion to 31 December 2023 (2022: $49.4 million).

Right of use assets relate to the Group's leased office premises, car park spaces and plant and equipment; refer to Note 17 for further information.

Classification between investment property and property, plant and equipment

On initial recognition, the Group performs an assessment to determine whether a unit type should be classified as investment property or property, plant and equipment. The assessment is based on the significance of ancillary services provided to residents who occupy accommodation under an occupation right agreement. For the purposes of this assessment, the Group considers that portion of weekly fees that gives rise to a separate performance obligation for the Group, as ancillary services. In addition to a quantitative assessment, the business model (being the provision of accommodation) is considered when determining the classification of the property as either investment property or property, plant and equipment. Subsequent reclassification of unit types between investment property or property, plant and equipment, occur only when there has been a change in use.

Revaluations

An independent valuation to determine the fair value of all building assets related to completed care centres was carried out as at 31 December 2023 by CBRE Limited ("CBRE NZ"), an independent registered valuer. Valuations are carried out annually.

CBRE NZ determines the fair value of care centres (excluding units under occupation right agreement) using an earnings-based multiple approach and the amount apportioned to goodwill is not recognised. Significant assumptions used in the most recent valuation are included in the table below:

	2023	2022
Market value per care bed	\$69,000 - \$222,000	\$63,100 - \$204,000
Individual unit earning capitalistion rate	12.5% - 15.8%	11.5% - 14.8%

Revaluation of units under occupation right agreement held as property, plant and equipment

To assess the market value of the Group's interest in the units under occupation right agreement held as property, plant and equipment, CBRE NZ undertook a discounted cash flow analysis to derive a present value. Significant assumptions used by CBRE NZ are included in the table below:

	2023	2022
Discount rate	14.5% - 15.5%	14.5% - 15.5%
Growth rate	0.5% - 3.0%	0.5% - 3.0%
Average entry age of residents	80 years - 89 years	79 years - 86 years
Stabilised departing occupancy periods of units	3.0 years - 3.1 years	3.0 years - 3.1 years

	2023 $000	2022 $000
Manager's net interest	91,612	51,592
Plus: revenue received in advance relating to property, plant and equipment	2,821	1,875
Plus: liability for residents' loans relating to property, plant and equipment	39,861	24,127
Total property, plant and equipment - units under occupation right agreement	**134,294**	**77,595**

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

As the fair value of buildings is determined using inputs that are unobservable, the Group has categorised property, plant and equipment as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolio of care centres (excluding units under occupation right agreement) are the capitalisation rates applied to individual unit earnings and the market value per care bed. A significant decrease (increase) in the capitalisation rate would result in a significantly higher (lower) fair value measurement, and a significant increase (decrease) in the market value per care bed would result in a significantly higher (lower) fair value measurement.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the entity's portfolio of units under occupation right agreement, held as property, plant and equipment, are the discount rates and growth rates. A significant decrease (increase) in the discount rate would result in a significantly higher (lower) fair value measurement, and a significant increase (decrease) in the growth would result in a significantly higher (lower) fair value measurement. Other key components in determining the fair value of units under occupation right held as property, plant and equipment are the average entry

Notes to the financial statements (continued)

age of residents and the average occupancy of units. A significant decrease (increase) in the occupancy period of units would result in a significantly higher (lower) fair value measurement, and a significant increase (decrease) in the average entry age of residents would result in a significantly higher (lower) fair value measurement.

Cost model

If buildings were measured using the cost model, the carrying amounts would be as follows:

	2023 BUILDINGS $000	2022 BUILDINGS $000
Cost	273,552	227,359
Accumulated depreciation and impairment losses	(39,999)	(31,622)
Net carrying amount	**233,553**	**195,737**

Security

At 31 December 2023, all care centres held by retirement villages registered under the Retirement Villages Act 2003 are subject to a registered first mortgage in favour of the Statutory Supervisor.

11. Intangible assets

Intangible assets acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in the income statement on an SL basis over the estimated useful lives of intangible assets from the date that they are available for use. The intangible assets are software and the amortisation rates at 31 December 2023 are between 10% and 20% SL basis.

	2023 $000	2022 $000
Cost		
Opening balance	13,814	12,251
Additions	2,218	1,563
Closing balance	**16,032**	**13,814**
Accumulated amortisation		
Opening balance	6,563	5,587
Amortisation	1,048	976
Closing balance	**7,611**	**6,563**
Carrying amount	**8,421**	**7,251**

12. Investment property

Investment property is held to earn current and future rental income and capital appreciation. It comprises land and buildings, and associated equipment and furnishings, relating to retirement units and common facilities in the retirement village. Investment property includes buildings under development, excluding care centres under development which are included in property, plant and equipment. Initial recognition of investment property is at cost and it is subsequently measured at fair value, with any change in fair value recognised in the income statement.

The cost of retirement units includes directly attributable construction costs and other costs necessary to bring the retirement units to working condition for their intended use. These other costs include professional fees and consents, interest during the build period and head office costs directly related to the construction of the retirement units. Where costs are apportioned across more than one asset, the apportionment methodology is determined by considering the nature of the cost.

Land acquired with the intention of constructing investment property on it is classified as investment property from the date of acquisition.

Depreciation is not charged on investment property.

Note 6 provides details on capitalised borrowing costs.

	2023 $000	2022 $000
Balance at beginning of period	5,417,719	4,580,196
Additions	590,807	573,389
Transfer to asset held for sale	(45,000)	-
Disposals	-	(4,999)
Fair value movement	441,553	268,757
Foreign exchange movement	2,071	376
Total investment property	**6,407,150**	**5,417,719**

Notes to the financial statements (continued)

	2023 $000	2022 $000
Development land measured at fair value[1]	578,266	603,829
Retirement villages measured at fair value[2]	5,302,570	4,351,031
Retirement villages under development measured at cost	526,314	462,859
Total investment property	**6,407,150**	**5,417,719**

1 Included in development land are pieces of land that were acquired close to balance date. These pieces of land have been accounted for at fair value, which has been determined to be cost due to the proximity of the transaction to balance date. At 31 December 2023 the land at cost was $35.7 million (2022: $162.5 million).

2 Included in retirement villages measured at fair value is $5.4 million related to completed retirement units at cost, which reflects fair value due to the proximity of completion to balance date (2022: $45.0 million). Included in retirement villages measured at fair value is $190.4 million relating to a village under development measured at fair value (2022: nil).

	2023 $000	2022 $000
Manager's net interest	3,757,207	3,116,800
Plus: revenue received in advance relating to investment property	182,693	159,694
Plus: liability for residents' loans relating to investment property	2,467,250	2,141,225
Total investment property	**6,407,150**	**5,417,719**

The Group is unable to reliably determine the fair value of the non-land portion of retirement villages under development at 31 December 2023 and therefore these are carried at cost, with the exception of one site due to its advance stage of construction. This equates to $526.3 million of investment property (2022: $462.9 million).

The fair value of investment property as at 31 December 2023 was determined by independent registered valuers CBRE NZ and JLL for villages including land in New Zealand, and CBRE Valuations Pty Limited ("CBRE AU") and Jones Lang LaSalle Australia Pty Limited ("JLL AU") for land in Australia. The fair value of the Group's investment property is determined on a semi-annual basis, based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

As required by NZ IAS 40 - *Investment Property*, the fair value as determined by the independent registered valuer is adjusted for assets and liabilities already recognised on the balance sheet which are also reflected in the discounted cash flow analysis.

To assess the fair value of the Group's interest in each New Zealand village, CBRE NZ and JLL have undertaken a discounted cash flow analysis to derive a present value. The Group's development land has been valued by CBRE NZ using the direct comparison approach.

One of the sites under development has been valued using the residual approach where a number of blocks were valued as work in progress together with residual land. The value of the work in progress was calculated as the market value of completed stock less selling expenses, and an allowance for profit and risk, holding costs, and costs to complete including a contingent sum. Previously land at this site was valued using the direct comparison with any development measured at cost. The change in valuation approach provides a more fair and accurate representation of fair value at balance date.

The valuers' view is that the markets both nationally and globally are being heavily impacted by high interest rate rises instigated by central banks to combat inflation. Markets are also impacted by ongoing disruption to global supply chains and geopolitical instability in certain regions, particularly the ongoing war in Ukraine and recent events in Gaza. With these factors in mind, the valuers reiterate that their conclusions are based on data and market sentiment as at the date of the valuation and that a degree of caution should be exercised when relying upon the valuation.

Significant assumptions used by CBRE NZ and JLL in relation to the New Zealand investment property are included in the table below:

	2023	2022
Discount rate	13.5% - 16.5%	13.5% - 16.5%
Growth rate	0.5% - 3.5%	0% - 3.5%
Average entry age of residents	73 years - 91 years	73 years - 88 years
Stabilised departing occupancy periods of units	3.8 years - 8.7 years	3.9 years - 8.6 years

Sites under development in Australia have been valued separately by CBRE AU and JLL AU. Land is valued under the same methodology as development land in New Zealand.

As the fair value of investment property is determined using inputs that are significant and unobservable, the Group has categorised investment property as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

To assess the market value of the Group's interest in a retirement village, CBRE and JLL have undertaken a discounted cash flow analysis to derive a present value.

The sensitivities of the significant assumptions are shown in the table below:

	Adopted value[1]	Discount rate +50 bp	Discount rate -50 bp	Growth rates +50bp	Growth rates -50bp
31 December 2023					
Valuation ($000)	2,017,910				
Difference ($000)		(74,725)	80,050	126,025	(115,665)
Difference (%)		(3.7%)	4.0%	6.2%	(5.7%)
31 December 2022					
Valuation ($000)	1,705,010				
Difference ($000)		(61,655)	66,100	102,685	(94,300)
Difference (%)		(3.6%)	3.9%	6.0%	(5.5%)

1 *Adopted value differs to figures in other notes. It is the value of completed units, net of related resident liability. The amount does not include unsold stock, work in progress or development land.*

Other key components in determining the fair value of investment property are the average entry age of residents and the average occupancy of units. A significant decrease (increase) in the occupancy period of units would result in a significantly higher (lower) fair value measurement, and a significant increase (decrease) in the average entry age of residents would result in a significantly higher (lower) fair value measurement.

Operating expenses

Direct operating expenses arising from investment property during the period amounted to $66.5 million (2022: $57.7 million).

Security

At 31 December 2023, all investment property relating to registered retirement villages under the Retirement Villages Act 2003 are subject to a registered first mortgage in favour of the Statutory Supervisor to secure the Group's obligations to the occupation right agreement holders.

13. Trade and other payables

Trade and other payables are carried at amortised cost. Due to their short-term nature they are not discounted.

	2023 $000	2022 $000
Trade payables	6,923	4,413
Accruals - development of retirement units and care centres	125,937	140,020
Accruals - other	23,985	21,791
Sundry payables	15,825	12,332
Total trade and other payables	**172,670**	**178,556**

Notes to the financial statements (continued)

14. Employee benefits

A provision is made for benefits accruing to employees in respect of wages, salaries, annual leave and short-term incentives when it is probable that settlement will be required and the amount can be estimated reliably.

	2023 $000	2022 $000
Leave liabilities	14,195	15,373
Other employee benefits	16,558	12,192
Total employee benefits	**30,753**	**27,565**

15. Interest rate swaps

The Group uses interest rate swaps to manage its risk associated with interest rate fluctuations. Interest rate swaps are initially recognised at fair value on the date a contract is entered into and are subsequently measured at fair value on each reporting date. The fair values of the interest rate swaps are determined based on cash flows discounted to present value using current market interest rates.

Cash flow hedges

The Group has entered into interest rate swaps to manage its interest rate risk in relation to its floating rate debt. These interest rate swaps qualify for cash flow hedge accounting. When interest rate swaps meet the criteria for cash flow hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while the ineffective portion is recognised in the income statement. Amounts taken to reserves are transferred out of reserves and included in the measurement of the hedged transaction when the forecast transaction occurs. When interest rate swaps do not meet the criteria for cash flow hedge accounting, all movements in fair value of the hedging instrument are recognised in the income statement.

Under the interest rate swap agreements that qualify for cash flow hedge accounting, the Group has a right to receive interest at variable rates and to pay interest at fixed rates. At 31 December 2023, the Group had interest rate swap agreements in place with a total notional principal amount of approximately $847.0 million, made up of $497.0 million denominated in NZD and $350.0 million in AUD (2022: $762.3 million, made up of $442.0 million denominated in NZD and $320.3 million in AUD). Of the swaps in place, at 31 December 2023 $673.4 million (2022: $535.5 million) are being used to cover approximately 71% (2022: 78%) of the floating rate debt principal outstanding. These agreements effectively change the Group's interest exposure on the principal covered by the interest rate swaps from a floating rate to fixed rates, which range between 0.56% and 4.93% (2022: 0.56% and 4.85%).

The fair value of these agreements at 31 December 2023 is a $1.9 million asset, comprised of $11.9 million of swap liabilities and $13.8 million of swap assets (2022: asset of 26.5 million, comprised of $0.7 million of swap liabilities and $27.2 million of swap assets). Of this, a liability of nil is estimated to be current (2022: nil). The agreements cover notional amounts for terms of up to seven years.

The notional principal amounts and the period of expiry of the cash flow hedge interest rate swap contracts are as follows:

	2023 $000	2022 $000
Less than 1 year	60,000	45,000
Between 1 and 2 years	76,944	60,000
Between 2 and 3 years	84,333	76,694
Between 3 and 4 years	179,331	84,032
Between 4 and 5 years	190,832	178,130
Between 5 and 6 years	128,888	190,081
Between 6 and 7 years	153,888	128,388
Total	**874,216**	**762,325**
Current	673,384	535,550
Forward starting	200,832	226,775
Total	**874,216**	**762,325**

Fair value hedges

The Group has entered into interest rate swaps to manage its interest rate risk in relation to its fixed rate debt arising from the retail bonds. The hedge is for the future fair value movements in the retail bonds as a result of market interest rate movements. The Group has designated $300.0 million of its retail bonds in fair value hedge relationships.

Both the hedging instrument (interest rate swap) and the hedged risk are recognised at fair value. The change in the fair value of both items offset in the statement of comprehensive income to the extent the hedging relationship is effective. The increase in fair value of the interest rate swaps of $10.4 million (2022: reduction of $11.8 million) has been recognised in finance costs and has been offset with a similar fair value gain on the retail bonds to leave an ineffective amount in finance costs of nil (2022: nil).

Under the interest rate swap agreements that qualify for fair value hedge accounting, the Group has a right to receive interest at fixed rates and to pay interest at floating rates. At 31 December 2023, the Group had interest rate swap agreements in place with a total notional principal amount of $300.0 million (2022: $225.0 million). Of the interest rate swaps in place, at 31 December 2023 $300.0 million (2022: $225.0 million) are being used to cover 67% (2022: 60%) of the fixed interest rate retail bonds outstanding.

Notes to the financial statements (continued)

The notional principal amounts and the period of expiry of the fair value hedge interest rate swap contracts are as follows:

	2023 $000	2022 $000
Less than 1 year	-	100,000
Between 1 and 2 years	125,000	-
Between 2 and 3 years	-	125,000
Between 5 and 6 years	175,000	-
Total	**300,000**	**225,000**
Current	300,000	225,000
Total	**300,000**	**225,000**

16. Residents' loans

Residents' loans are amounts payable under occupation right agreements. An occupation right agreement confers a right of occupancy to a villa, apartment, serviced apartment, care suite or memory care apartment. The consideration received on the grant of an occupation right agreement is allocated to the resident's loan in full. These loans are non-interest bearing and are payable when both an occupation right agreement is terminated and there has been settlement of a new occupation right agreement for the same unit and the proceeds from the new settlement have been received by the Group. Residents' loans are initially recognised at fair value and subsequently measured at amortised cost.

The Group holds a contractual right to set-off the deferred management fee receivable on termination of an agreement against the resident's loan to be repaid. Residents' loans are therefore recognised net of the deferred management fee receivable on the balance sheet. Deferred management fees are payable by residents in consideration for the supply of accommodation and the right to share in the use of community facilities. Deferred management fees are paid in arrears, with the amount payable calculated as a percentage of the resident's loan amount as per the resident's occupation right agreement. Deferred management fee receivable is calculated and recorded based on the current tenure of the resident and the contractual right to deferred management fee earned at balance date. Refer to Note 4 for further detail on recognition of deferred management fee revenue.

	2023 $000	2022 $000
Balance at beginning of period	2,681,837	2,276,945
Net receipts for residents' loans - resales of occupation right agreements	55,521	51,481
Receipts for residents' loans - new occupation right agreements	384,042	353,411
Total gross residents' loans	**3,121,400**	**2,681,837**
Deferred management fees and other receivables	(614,288)	(516,485)
Total residents' loans	**2,507,112**	**2,165,352**

17. Leases

The leases to which NZ IFRS 16 applies are the leases of plant and equipment and office premises and car parks occupied by the Group in New Zealand and Australia. In respect of these leases, a right of use asset is disclosed along with a corresponding lease liability. The right of use assets are depreciated on an SL basis, while the lease liability is measured at the present value of the lease payments that are not yet paid, discounted using the Group's incremental borrowing rate.

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and certain leases of low-value assets. The Group recognises the lease payments associated with these leases as incurred as a rental expense over the lease term.

Right of use assets primarily relate to the Group's leased office premises and are classified as property, plant and equipment, and lease liabilities are disclosed as such in the Group's statement of financial position.

When the Group has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances, including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help determine the lease term. Other assumptions and judgements used by management include calculating the appropriate discount rate.

As a lessee

Right of use assets disclosed:

	2023 $000	2022 $000
Balance at beginning of period	13,457	10,345
Additions	930	5,064
Disposals	-	(301)
Remeasurements	(691)	-
Depreciation charge for the year	(1,968)	(1,651)
Balance at end of period	**11,728**	**13,457**

Lease liabilities disclosed:

	2023 $000	2022 $000
Less than 1 year	2,475	1,709
Between 1 and 5 years	7,786	8,106
More than 5 years	3,869	6,155
Total lease liabilities at end of period	**14,130**	**15,970**

Amounts recognised in the profit and loss:

	2023 $000	2022 $000
Interest on lease liabilities	587	557
Expenses relating to short-term and low-value asset leases	491	371
Depreciation on right of use assets	1,968	1,651
Total amounts recognised in profit or loss	**3,046**	**2,579**

Notes to the financial statements (continued)

Amounts recognised in statement of cash flows:

	2023 $000	2022 $000
Total cash outflows for leases	**3,313**	**2,431**

As a lessor

The Group acts as a lessor under occupation right agreements with village residents, along with a small number of residential rental properties. The assets leased by the group as a lessor are disclosed as investment property and lease income on occupation right agreements is generated in the form of deferred management fees and a portion of care fees and village services. The lease term is determined to be the greater of the expected period of tenure or the contractual right to revenue. The Group allocates individual leases of units to village residents to different portfolios depending on the type of unit. The Group does not have any subleases.

18. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings include secured bank loans and unsubordinated fixed-rate retail bonds.

Interest-bearing loans and borrowings are recognised initially at fair value net of directly attributable transaction costs. Subsequent to initial recognition, the borrowings are measured at amortised cost, with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate. Two of the three retail bonds, SUM020 and SUM040, are designated in fair value hedge relationships, which means that any change in market interest rates results in a change in the fair value adjustment of that debt. SUM030 is not hedged. Transaction costs incurred in arranging financing are capitalised and amortised over the term of the relevant debt instrument.

	Coupon	2023 $000	2022 $000
Repayable within 12 months			
Retail bond - SUM010	4.78%	-	100,000
Repayable after 12 months			
Secured bank loans	Floating	948,957	699,400
Retail bond - SUM020	4.20%	125,000	125,000
Retail bond - SUM030	2.30%	150,000	150,000
Retail bond - SUM040	6.59%	175,000	-
Total loans and borrowings at face value		**1,398,957**	**1,074,400**
Transaction costs for loans and borrowings capitalised:			
Opening balance		(4,260)	(5,096)
Capitalised during the period		(3,678)	(521)
Amortised during the period		1,756	1,357
Closing balance		(6,182)	(4,260)
Total loans and borrowings at amortised cost		**1,392,775**	**1,070,140**
Fair value adjustment on hedged borrowings		748	(9,646)
Carrying value of interest-bearing loans and borrowings		**1,393,523**	**1,060,494**

The non-cash movements included in the table above are the transaction costs for loans and borrowings amortised during the period and the fair value adjustment on hedged borrowings.

A summary of the changes in the Group's borrowings is provided below:

	2023 $000	2022 $000
Borrowings at the start of the year	1,060,494	747,015
Net cash borrowed	324,557	324,460
Cash change in deferred financing costs	(3,678)	(521)
Non-cash change in deferred financing costs	1,756	1,357
Non-cash change in fair value adjustment	10,394	(11,817)
Borrowings at the end of the year	**1,393,523**	**1,060,494**

The weighted average interest rate for the year to 31 December 2023 was 5.09% (2022: 3.42%). This includes the impact of interest rate swaps (see Note 15).

Effective 18 September 2023, the Group refinanced NZD tranches of the syndicated facility that were due to expire within the next year and obtained new NZD and AUD facilities. The secured bank loan facility at 31 December 2023 has a limit of approximately $1,460 million (2022: $1,160 million). This includes lending of the following:

Currency	Lending limit	Expiration
NZD	$50 million	September 2025
AUD	$130 million	September 2025
NZD	$315 million	September 2026
AUD	$185 million	September 2026
AUD	$170 million	September 2027
NZD	$310 million	November 2027
NZD	$100 million	September 2028
AUD	$200 million	September 2028

The Group has three retail bonds listed on the NZDX:

ID	Amount	Maturity
SUM020	$125 million	24 September 2025
SUM030	$150 million	21 September 2027
SUM040	$175 million	9 March 2029

Security

The bank loans and retail bonds rank equally with the Group's other unsubordinated obligations and are secured by the following securities held by a security trustee:

- a first-ranking registered mortgage over all land and permanent buildings owned (or leased under a registered lease) by each New Zealand-incorporated guaranteeing Group member that is not a registered retirement village under the Retirement Villages Act 2003;
- a second-ranking registered mortgage over the land and permanent buildings owned (or leased under a registered lease) by each New Zealand-incorporated guaranteeing Group member that is a registered retirement village under the Retirement Villages Act 2003 (behind a first-ranking registered mortgage in favour of the Statutory Supervisor);
- a first-ranking registered mortgage over all land and permanent buildings owned (or leased under a registered lease) by each Australian-incorporated guaranteeing Group member;

Notes to the financial statements (continued)

- a General Security Deed, which secures all assets of the New Zealand- incorporated guaranteeing Group members, but in respect of which the Statutory Supervisor has first rights to the proceeds of security enforcement against all assets of the registered retirement villages to which the security trustee is entitled;
- a General Security Deed, which secures all assets of the Australian-incorporated guaranteeing Group members; and
- a Specific Security Deed in respect of each marketable security of Summerset Holdings (Australia) Pty Limited, held by Summerset Holdings Limited.

19. Financial instruments

Exposure to credit, market and liquidity risk arises in the normal course of the Group's business. The Board adopts policies for managing each of these risks as summarised below.

Categories of financial instruments

Financial assets

All financial assets of the Group are classified at amortised cost except for interest rate swaps and investments, which are classified as fair value through profit and loss, and those assets that are designated in a hedge relationship.

Financial liabilities

All financial liabilities except interest rate swaps and retail bonds are classified as liabilities at amortised cost. Refer to Note 18 for detail on the retail bonds.

Credit risk

Credit risk is the risk of financial loss to the Group if a resident or counterparty to a financial instrument fails to meet their contractual obligations. The Group's exposure to credit risk relates to receivables from residents and bank balances. The Group manages its exposure to credit risk. The Group's cash is held with its principal banker, with the level of exposure to credit risk considered minimal, with low levels of cash generally held. Receivables balances are monitored on an ongoing basis and funds are placed with high-credit-quality financial institutions. The level of risk associated with sundry debtors is considered minimal due to the recoverability of this balance being assessed as high. The Group does not require collateral from its debtors and the Directors consider the Group's exposure to any concentration of credit risk to be minimal.

The carrying amount of financial assets represents the Group's maximum credit exposure. The status of trade receivables is as follows:

	2023		2022	
	GROSS RECEIVABLE $000	IMPAIRMENT $000	GROSS RECEIVABLE $000	IMPAIRMENT $000
Not past due	4,631	(61)	3,991	(56)
Past due 31 to 60 days	344	(24)	385	(18)
Past due 61 to 90 days	174	(19)	210	(17)
Past due more than 90 days	243	(142)	337	(148)
Total	**5,392**	**(246)**	**4,923**	**(239)**

In summary, trade receivables are determined to be impaired as follows:

	2023 $000	2022 $000
Gross trade receivables	5,392	4,923
Impairment	(246)	(239)
Net trade receivables	**5,146**	**4,684**

Market risk

Market risk is the risk that changes in market prices such as interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group's exposure to interest rate risk is managed by seeking to obtain the most competitive rate of interest at all times. The Group has entered into interest rate swap agreements in order to provide an effective cash flow hedge against the variability in floating interest rates. The Group has also entered into other interest swap agreements to reduce interest rate repricing risk in relation to retail bonds. See Note 15 for details of interest rate swap agreements.

To comply with the Group's risk management policy, the hedge ratio is based on the interest rate swap notional amount to hedge the same notional amount of bank loans or retail bonds. This results in a hedge ratio of 1:1. This is the same as used for actual risk management purposes, and such a ratio is appropriate for the purposes of hedge accounting as it does not result in an imbalance that would create hedge ineffectiveness.

In these hedge relationships the main sources of ineffectiveness are:

- a significant change in the credit risk of either party to the hedging relationship;
- where the hedge instrument has been transacted on a date different to the rate set date of the bank loan or retail bonds, interest rates could differ; and
- differences in repricing dates between the swaps and the borrowings.

Other than these sources, due to the alignment of the hedged risk in the hedged item and hedged instrument, hedge ineffectiveness is not expected to arise.

At 31 December 2023 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit by approximately $9.4 million (2022: decrease by $6.7 million) and increase total comprehensive income by approximately $16.7 million (2022: increase by $14.3 million).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity by maintaining adequate reserves and undrawn banking facilities, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. The Group manages liquidity risk on residents' loans and related sundry debtors through the contractual requirements of occupation right agreements, whereby a resident's loan is repaid only on receipt of the loan monies from the incoming resident.

The following table sets out the contractual cash flows for all financial liabilities for the Group (including contractual interest obligations on bank loans and retail bonds):

	2023		2022	
	LESS THAN 1 YEAR $000	GREATER THAN 1 YEAR $000	LESS THAN 1 YEAR $000	GREATER THAN 1 YEAR $000
Financial liabilities				
Trade and other payables	172,670	-	178,556	-
Residents' loans	2,507,112	-	2,165,352	-
Interest-bearing loans and borrowings	78,116	1,598,523	145,751	1,075,950
Interest rate swaps	(6,455)	(14,149)	(839)	5,341
Lease liability	2,475	11,655	1,709	14,261
Total	**2,753,918**	**1,596,029**	**2,490,529**	**1,095,552**

Residents' loans are non-interest bearing and are not required to be repaid following termination of an occupation right agreement until receipt of cash for the new resident loan from the incoming resident. Residents' loans are classified as being repayable on demand, and therefore fully repayable within 12 months, because the Group does not have an unconditional right to defer repayment of residents' loans for at least 12 months after balance date. Based on historical information including estimated periods of tenure as disclosed in Note 4, it is estimated that $191.2 million (2022: $202.8 million) is expected to become payable in the 12 months following balance date. To date, cash for new residents' loans received has exceeded cash to repay residents' loans, net of deferred management fees.

Foreign currency risk

Foreign currency risk is the risk that the value of the Group's assets, liabilities and financial performance will fluctuate due to changes in foreign currency rates.

The Group is primarily exposed to currency risk through its subsidiaries in Australia.

Notes to the financial statements (continued)

The risk to the Group is that the value of the overseas subsidiaries' financial position and financial performance will fluctuate in economic terms and as recorded in the Group financial statements due to changes in foreign exchange rates. Due to limited activity in the Australian subsidiaries in 2023, the Group did not have a material exposure to foreign exchange risk.

Fair values

The carrying amounts shown in the balance sheet approximate the fair value of the financial instruments, with the exception of retail bonds, shown below:

	2023		2022	
	CARRYING AMOUNT $000	FAIR VALUE $000	CARRYING AMOUNT $000	FAIR VALUE $000
Retail bonds	(447,407)	(431,414)	(363,207)	(343,417)
Total	**(447,407)**	**(431,414)**	**(363,207)**	**(343,417)**

The fair value of retail bonds is based on the price traded at on the NZX market as at 31 December 2023. The fair value of the retail bonds is categorised as Level 1 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

The fair value of interest rate swaps is determined using inputs from third parties that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Based on this, the Company and Group have categorised these financial instruments as Level 2 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement*.

The fair value of investments is categorised as Level 3 under the fair value hierarchy in accordance with NZ IFRS 13 – *Fair Value Measurement* and its fair value is measured using valuation techniques based on discounted future cash flow forecasts and various unobservable inputs.

Capital management

The Group's capital includes share capital, reserves and retained earnings. The objective of the Group's capital management is to ensure a strong credit position to support business growth and maximise shareholder value. The Group is subject to capital requirements imposed by the bank lenders (through covenants in the Syndicated Facility Agreement) and bondholders (through covenants in the Master Trust Deed). The Group has met all of these externally imposed capital requirements for the year ended 31 December 2023 (2022: all requirements met). The Group capital structure is managed, and adjustments are made, with Board approval. There were no changes to objectives, policies or processes during the year ended 31 December 2023 (2022: none).

20. Share capital and reserves

At 31 December 2023, there were 234,281,382 ordinary shares on issue (2022: 232,116,894). All ordinary shares are fully paid and have no par value. All shares carry one vote per share and carry the right to dividends.

	2023 $000	2022 $000
Share capital		
On issue at beginning of year	344,212	324,899
Shares issued under the dividend reinvestment plan	18,968	16,484
Shares paid under employee share plans	527	2,145
Other	6	-
Employee share plan option cost	3,199	684
On issue at end of year	**366,912**	**344,212**

	2023	2022
Share capital (in thousands of shares)		
On issue at beginning of year	231,560	229,427
Shares issued under the dividend reinvestment plan	2,093	1,504
Shares issued under employee share plans	219	629
On issue at end of year	**233,872**	**231,560**

The total shares on issue at 31 December 2023 of 234,281,382 for the Company differs from the share capital for the Group due to shares held in 100% owned subsidiary, Summerset LTI Trustee Limited. As at 31 December 2023, 409,248 shares are held by Summerset LTI Trustee Limited for employee share plans, which are eliminated on consolidation. Refer to Note 22 for further details on employee share plans.

Revaluation reserve

The revaluation reserve is used to record the revaluation of care centre buildings.

Hedging reserve

The hedging reserve is used to record gains or losses on instruments used as cash flow hedges.

Foreign currency translation reserve

The foreign currency translation reserve is used to record the gain on translation of foreign currency subsidiaries to the Group's reporting currency.

Dividends

On 23 March 2023 a dividend of 11.6 cents per ordinary share was paid to shareholders and on 19 September 2023 a dividend of 11.3 cents per ordinary share was paid to shareholders (2022: on 23 March 2022 a dividend of 8.6 cents per ordinary share was paid to shareholders and on 19 September 2022 a dividend of 10.7 cents per ordinary share was paid to shareholders).

A dividend reinvestment plan applied to the dividends paid. 1,077,198 ordinary shares were issued in relation to the plan for the March 2023 dividend and 1,016,720 ordinary shares were issued in relation to the plan for the September 2023 dividend (2022: 688,127 ordinary shares were issued in March 2022 and 815,721 ordinary shares were issued in September 2022).

Notes to the financial statements (continued)

21. Earnings per share and net tangible assets

Basic earnings per share

	2023	2022
Earnings ($000)	436,319	269,072
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	232,786	230,656
Basic earnings per share (cents per share)	**187.43**	**116.66**

Diluted earnings per share

	2023	2022
Earnings ($000)	436,319	269,072
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	233,211	231,233
Diluted earnings per share (cents per share)	**187.09**	**116.36**

Number of shares (in thousands)

	2023	2022
Weighted average number of ordinary shares for the purpose of basic earnings per share	232,786	230,656
Weighted average number of ordinary shares issued under employee share plans	425	577
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**233,211**	**231,233**

At 31 December 2023, there were a total of 409,248 shares issued under employee share plans held by Summerset LTI Trustee Limited (2022: 557,242 shares).

Net tangible assets per share

	2023	2022
Net tangible assets ($000)	2,596,947	2,185,772
Shares on issue at end of period (basic and in thousands)	233,872	231,560
Net tangible assets per share (cents per share)	**1,110.41**	**943.93**

Net tangible assets are calculated as the total assets of the Group less intangible assets and less total liabilities. This non-GAAP measure is provided as it is commonly used for comparison between entities.

22. Employee share plans

Senior employee share plan - share option scheme

The number of options granted to each participant equals the incentive remuneration value divided by the volume weighted average price on the NZX during the 10 trading day period. Where applicable, the exercise price of the granted share options is determined from the volume weighted average price on the NZX during the 10 trading day period determined by the Board prior to the grant. Effective from the 2021 annual option grant, the option exercise price is set at nil and therefore no option valuation is required.

	2023		2022	
	NUMBER OF OPTIONS 000's	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS 000's	WEIGHTED AVERAGE EXERCISE PRICE
Balance at beginning of period	1,627	$6.57	2,306	$6.73
Granted during the year	380	-	-	-
Exercised during the year	(475)	$6.82	(514)	$6.82
Forfeited during the year	(75)	$8.08	(165)	$8.08
Balance at end of period	**1,457**	**$6.57**	**1,627**	**$6.57**
Exercisable at end of period	756	$8.31	972	$8.31

Options outstanding as at 31 December 2023 have a weighted average remaining life of 2.46 years (2022: 1.93 years).

For the 2023 annual option grant, the following performance hurdles apply to all participants:

- 75% of each Tranche will vest based on absolute total shareholder return performance
- 25% of each Tranche will vest based on relative total shareholder return performance

For annual option grants made between 2018 and 2020, while there is a requirement to remain employed by Summerset up to vesting date, there are no performance hurdles for vesting of share options to senior management team members, other than the members of the Executive Leadership Team.

For certain one-off option grants outside of the annual option grant process, performance hurdles are set relating to specific performance milestones for the relevant Participant.

The maximum terms for options granted range between three and six years.

The share option scheme is an equity-settled scheme and measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate that the share options will vest. Where applicable, these options were valued using the Black-Scholes valuation model, and the option cost for the year ending 31 December 2023 of $2,782,606 has been recognised in the income statement of the Company and the Group for that period (2022: $2,147,000). The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

Valuation assumptions for those options with an exercise price:

	2023	2022
Discount to reflect options may not meet vesting criteria	N/A	15%
Risk free rate of return	N/A	0.5% - 2%
Volatility	N/A	23% - 26%

All-staff employee share plan

The Group operates an all-staff employee share plan. A total of 1,944 employees participated in the share issue under the plan for the year ended 31 December 2023 (2022: 1,706 employees). In 2023, the Group contributed $1,000 per participating employee (being the total value of the shares issued). A total of 188,568 Company shares were issued under the scheme at $10.27 per share (2022:167,188 shares at $10.16 per share). The shares are held by Summerset LTI Trustee Limited and vest to participating employees after a three-year period.

The cost for the year ending 31 December 2023 of $891,000 has been recognised in the income statement of the Company and the Group for that period (2022: $566,000).

23. Related party transactions

Refer to Note 22 for employee share plan details.

Transactions with companies associated with Directors

The Group also enters into transactions with other entities that some of the Directors may sit on the board of. These transactions are entered into in the normal course of business. For a full list of all material director interests, please refer to the Disclosures section on page 122 of this report.

Notes to the financial statements (continued)

24. Key management personnel compensation

The compensation of the key management personnel of the Group is set out below:

	2023 $000	2022 $000
Directors' fees	895	877
Short-term employee benefits	5,238	5,485
Share-based payments	1,374	1,273
Termination payments	311	62
Total	**7,818**	**7,697**

Refer to Note 22 for employee share plan details for key management personnel.

25. Commitments and contingencies

Guarantees

As at 31 December 2023, the Group had the following guarantees in place:

- NZX Limited holds a guarantee in respect of the Group, as required by the NZX Listing Rules, for $75,000 (2022: $75,000).
- Summerset Retention Trustee Limited holds guarantees in relation to retentions on construction contracts on behalf of the Group. As at 31 December 2023, $23.0 million was held for the benefit of the retentions beneficiaries (2022: $13.0 million).
- Auckland Transport holds a performance guarantee for $65,000 (2022: $65,000).
- Tauranga City Council holds a performance guarantee for nil (2022: $350,000).
- Quattro RE Limited holds a demand guarantee in relation to the lease of the office premises for $120,819 (2022: $120,819).
- Department of Transport (Melbourne) holds guarantees for $72,749 (2022: nil).
- South East Water holds guarantees for $13,688 (2022: nil).
- Casey City Council holds guarantees for $229,162 (2022: nil).

Capital commitments

At 31 December 2023, the Group had $70.8 million of capital commitments in relation to construction contracts (2022: $63.2 million).

Contingent liabilities

There were no known material contingent liabilities at 31 December 2023 (2022: nil).

26. Subsequent events

On 23 February 2024, the Directors approved a final dividend of $30.9 million, being 13.2 cents per share. The dividend record date is 11 March 2024 with a payment date of 22 March 2024.

There have been no other events subsequent to 31 December 2023 that materially impact on the results reported.

Independent Auditor's Report to the Shareholders of Summerset Group Holdings Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Summerset Group Holdings Limited ("the Company") and its subsidiaries (together "the Group") on pages 56 to 90, which comprise the statement of financial position of the Group as at 31 December 2023, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including material accounting policy information.

In our opinion, the consolidated financial statements on pages 56 to 90 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young provides IFRS training, other assurance and remuneration advisory services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Valuation and classification of investment property and freehold land and buildings

Why significant

As disclosed in notes 10 and 12 of the consolidated financial statements:

- the Group's investment property portfolio was valued at $6,407 million at 31 December 2023 and included completed investment property and investment property under development.
- the Group's care centre buildings were valued at $359 million at 31 December 2023. This included completed care centre buildings operated by the Group for the provision of care services and care centres under development.

Independent valuations of all investment property and completed care centre buildings were carried out by third party valuers, CBRE Limited and Jones Lang LaSalle Limited (the Valuers). The valuation of investment property and care centre buildings is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values.

Properties which are externally valued are recorded in the consolidated financial statements based on the value determined by the Valuers.

Investment property and care centre buildings under development that are not substantially progressed to enable fair value to be reliably determined are carried at cost less any impairment.

Summerset derives revenue from properties it holds in the form of both deferred management fees and the provision of services to residents. NZ IAS 40 requires properties to be classified as an investment property where the revenue from the supply of ancillary services is insignificant to the arrangement as a whole. Judgement is required to assess the significance of ancillary services in this context.

How our audit addressed the key audit matter

To address the key audit matter, we:

External valuations

- read the valuation reports and discussed them with the Valuers. We assessed the valuation approach and confirmed that this was in accordance with the relevant accounting standards; and
- tested, on a sample basis, whether property specific information supplied to the Valuers by the Group reflected the underlying property records of the Group.

Assumptions and estimates

- held discussions with the Valuers to gain an understanding of the assumptions and estimates used and the valuation methodology applied. We also sought to understand and consider whether any restrictions had been imposed on the valuation process;
- considered whether the valuation incorporated appropriate assumptions for a sample of individual properties to reflect their characteristics, overall quality, geographic location and desirability as a whole; and
- engaged our in-house Real estate valuation experts to challenge the work performed by the Valuers and assess the reasonableness of the assumptions used based on their knowledge gained from reviewing valuations of similar properties, known transactions and available market data.

Our work over the assumptions focused on the largest properties within the portfolio and those properties where the assumptions used and/or year-on-year fair value movement suggested a possible outlier compared to the rest of the portfolio and the market data for the sector.

Estimated valuation range

As a result of the judgement involved in determining valuations for individual properties and the existence of alternative assumptions and valuation methods, there is a range of values which can be considered reasonable when evaluating the independent property valuations used by the Group. If we identified an error in a property valuation or determined that the valuation was outside of a reasonable range, we evaluated the error or difference to determine if there was a material misstatement in the consolidated financial statements.

Classification and measurement

We considered management's assessment of the classification of each type of property as either investment property or care centre buildings. This included assessment against the requirements of the accounting standards, and where relevant considering the significance of ancillary services.

We also considered management's assessment of whether the fair value of investment property under development could not be reliably determined.

Why significant	How our audit addressed the key audit matter
	Disclosures We considered the adequacy of the disclosures in notes 10 and 12 to the financial statements. These notes explain the key judgements made in relation to the classification and valuation of investment property and freehold land and buildings and the estimation uncertainty involved in this process.

Information other than the financial statements and auditor's report

The Directors of the Company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The Directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing on behalf of the entity the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Sam Nicolle.

Ernst & Young

Chartered Accountants
Wellington
23 February 2024

Governance

Summerset has adopted the principles below as an appropriate way to demonstrate its commitment to best practice governance and to provide transparency in the Company's approach to corporate governance for the benefit of its shareholders and other stakeholders. These principles are from the NZX Corporate Governance Code issued in April 2023 ('NZX Code'). Each principle of the NZX Code is set out below with an explanation on how Summerset meets it.

As at 31 December 2023, Summerset considers that it was in full compliance with NZX Listing Rules and the NZX Code.

The Code of Ethics Policy, Diversity and Inclusion Policy, Securities Trading Policy and Guidelines, Whistle Blowing Policy, Supplier Code of Conduct, Modern Slavery Policy and Anti-Bribery and Corruption Policy can be found on the Company's website and internal intranet alongside other governance documents.

Principle 1: Ethical standards

'Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.'

Ethical standards

The Board maintains high standards of ethical conduct and expects the Company's employees to act legally and with integrity in a manner consistent with the policies, guiding principles and values that are in place. These include the following:

- **Code of Ethics** – This guide sets out the basic principles of legal and ethical conduct expected of all employees and Directors. The Company encourages open and honest communication by staff about any current or potential problem, complaint, suggestion, concern or question.
- **Diversity and Inclusion Policy** – This policy outlines the Company's guiding principles for diversity and inclusion. Refer to Principle 2 for further details.
- **Securities Trading Policy** – In accordance with the Company's Securities Trading Policy, the NZX Listing Rules and the Financial Markets Conduct Act 2013, Directors and employees of the Company are subject to limitations on their ability to buy or sell Company shares.
- **Whistle Blowing Policy** –This policy encourages employees to come forward if they have concerns regarding serious wrongdoing, and ensures that employees have access to a confidential process in which they can report any issues in relation to serious wrongdoing without fear of reprisal or victimisation.
- **Supplier Code of Conduct and Modern Slavery Policy** – These documents set out the minimum standards expected of Summerset's suppliers and support Summerset's commitment to sustainable, ethical and inclusive procurement.
- **Anti-Bribery and Corruption Policy** – This policy sets out Summerset's zero-tolerance approach to bribery and corruption. It also makes clear that donations to political parties are not permitted.
- **Code of Conduct** – This policy sets out the expected behaviours while in employment with the Company. Company employees are expected to act honestly, conscientiously, reasonably and in good faith, while at all times having regard to their responsibilities, the interests of Summerset, and the welfare of our residents and staff.
- **Gift Policy** – This policy governs the acceptance and reporting of benefits given to staff by third parties.
- **Conflicts of Interest** – Summerset's Code of Ethics outlines the standards of integrity, professionalism and confidentiality to which all employees and Directors of the Company must adhere with respect to their work and behaviour. To maintain integrity in decision-making, each Director must advise the Board of any potential conflict of interest if such arises. If a conflict of interest exists, the Director concerned will have no involvement in the decision-making process relating to the matter.
- **Interests Register** – In accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013, the Company maintains an Interests Register in which all relevant transactions and matters involving the Directors are recorded.

Management commentary
(no financial statements)

Principle 2: Board composition and performance

'To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.'

Role of the Board of Directors

The Board of Directors is elected by Shareholders and has responsibility for taking appropriate steps to protect and enhance the value of the assets of the Company in the best interests of its Shareholders. The Board has adopted a formal Board Charter detailing its authority, responsibilities, membership and operation. The key responsibilities of the Board include setting the overall direction and strategy of the Company, establishing appropriate policies and monitoring performance of management. The Board appoints the CEO and delegates the day-to-day operating of the business to them. The CEO implements policies and strategies set by the Board and is accountable to it. The Board also has responsibility for ensuring the Company's financial position is sound, and financial statements comply with generally accepted accounting practice, and that the Company adheres to high standards of ethical and corporate behaviour.

A summary of the Board protocols is as follows:

- A majority of the Board should be Independent Directors as defined in the NZX Listing Rules,
- The Chair of the Board should be independent,
- The Chair and the CEO should be different people,
- Directors should possess a broad range of skills, qualifications and experience, and remain current on how best to perform their duties as Directors,
- Information of sufficient content, quality and timeliness, as the Board considers necessary, will be provided by management to allow the Board to discharge its duties effectively, and
- The effectiveness and performance of the Board and its individual members should be re-evaluated on an annual basis.

Directors receive an induction upon appointment to the Board to ensure their full knowledge of the Company and the industry in which it operates. The Directors are expected to keep themselves abreast of changes and trends in the business and to keep themselves up to date to ensure they best perform their duties as Directors of the Company.

All Directors have been issued letters setting out the terms and conditions of their appointment.

Delegation of authority

The Board delegates to the CEO responsibility for implementing the Board's strategy and for managing the Company's operations. The CEO and management have Board-approved levels of authority and, in turn, sub-delegate authority in some cases to direct reports. This is documented in the Delegated Authority Policy.

Retirement and re-election

In accordance with the Company's Constitution and the NZX Listing Rules, Directors are required to retire three years after their appointment or at the third Annual Shareholder Meeting following their appointment (whichever is later). Directors who have been appointed by the Board must also retire at the next Annual Shareholder Meeting following their appointment.

The Board Charter states that it is not generally expected that a non-executive Director would hold office for more than ten years or be nominated for more than three consecutive terms. The Board Charter also provides that Directors may accept other board appointments only where that does not detrimentally affect their performance as a Director of Summerset. In making this assessment, the number and nature of a Director's other governance roles may be relevant.

Directors may offer themselves for re-election by Shareholders each year at the Annual Shareholder Meeting. Procedures for the appointment and removal of Directors are also governed by the Constitution.

The People and Culture Committee identifies and nominates candidates to fill Director vacancies for Board approval. Information about candidates for election or re-election is included in the Notice of Meeting to assist Shareholders in deciding whether or not to elect or re-elect the candidate.

Management commentary
(no financial statements)

Board composition

The Company's Constitution prescribes that the Board shall be comprised of a minimum of three Directors, with at least two Directors ordinarily resident in New Zealand. As at 31 December 2023, the Board was comprised of seven non-executive Independent Directors. In determining whether a Director is Independent, the Board has regard to the NZX Listing Rules and factors described in the NZX Code.

The Board considers all current Directors to be Independent in that they are not executives of the Company and do not have a direct or indirect interest or relationship that could reasonably influence (or be perceived to influence), in a material way, their decisions in relation to the Company.

As at 31 December 2023, the non-executive Independent Directors were Mark Verbiest (Chair), Dr Andrew Wong, Gráinne Troute, Fiona Oliver, Dr Marie Bismark, Stephen Bull and Venasio-Lorenzo Crawley.

Andrea Scown is a Future Director under the Institute of Directors' Future Directors programme, which aims to develop New Zealand's next generation of directors and provide experience in large companies around the country. Andrea joined the Board as a Future Director in November 2022. Future Directors fully participate in all Board matters but do not have voting or decision rights.

The Board comprises Directors who have a mix of skills, knowledge, experience and diversity to adequately meet and discharge its responsibilities and to add value to the Company through efficient and effective governance leadership. The current Directors have a varied and balanced mix of skills relevant to the Group's operations. A summary of the key skills and experience held across the Board as at 31 December 2023, is set out in the table on the following page.

Capability	Level of Experience		
	Highly competent[1]	Competent[2]	Aware[3]
Governance Experience in and commitment to the highest standards of corporate governance, including as a non-executive director of a listed company or other large or complex organisation	7		
Leadership Experience in senior leadership or management positions in an organisation of significant size or complexity	6		1
Financal acumen Proficiency and understanding of financial statements and reporting, capital management, key financial and performance drivers and internal controls	3	4	
Customer and operations Deep understanding of business operations and sales, marketing and brand strategies	4	3	
Health and clinical Experience across the health or aged care sectors (in New Zealand and/or Australia)	3	1	3
Property and construction Property, construction and development management experience	1	5	1
Health and safety Experience and understanding of health and safety and wellbeing requirements	5	1	1
People and culture Experience in overseeing workplace culture, people management, development, and succession planning, setting remuneration frameworks and promoting diversity and inclusion	5	2	
Digital and technology Experience in technology, use of data and analytics, digital transformation and innovation and their impacts on business operations and customers including cybersecurity	1	5	1

Strategy Experience in the development and execution of growth strategies, and the ability to assess strategic options and business plans	4	3	
Australian experience Australian property and business experience	3	3	1
Risk management Experience in identifying, assessing, monitoring, and managing systemic, existing, and emerging material financial and non-financial risks	5	2	
Environmental and social Understanding and experience in sustainable practices to manage the impact of Summerset on the environment and community as well as the impact of climate change on business operations	1	4	2

1 Extensive experience, including serving as a key resource and advising others

2 Complete understanding and experience in practical application

3 Fundamental understanding and knowledge

More information on the Directors, including their interests, qualifications and security holdings, is provided on our website and in the Disclosures sections of this report. As a term of their appointment, Directors are required to acquire and hold shares in the Company to the value of one year's worth of director fees, though the Board has the ability to waive this requirement and would do so in the appropriate circumstances. They have two years in which to acquire the shares. Once this requirement has been achieved at a point in time, it is deemed satisfied and is not affected by future fluctuations in share price. This shareholding requirement may be satisfied by a Director holding shares through an associated person or entity.

The Board holds regular scheduled meetings. The Directors generally receive material for Board meetings five working days in advance, except in the case of special meetings, for which the time period may be shorter owing to the urgency of the matter to be considered.

The Company Secretary attends all Board meetings, and in this capacity is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

All Directors have access to the Executive Leadership Team to discuss issues or obtain information on specific areas in relation to items to be considered at Board meetings or other areas as considered appropriate. Key executives and managers are invited to attend and participate in appropriate sessions at Board meetings. Directors have unrestricted access to Company records and information.

Directors are entitled to obtain independent professional advice relating to the affairs of the Company or other responsibilities. Prior approval of the Chair is required before seeking such advice and Directors are expected to ensure that the cost of such advice is reasonable.

Diversity and inclusion

The Company and its Board are committed to a workplace culture that promotes and values diversity and inclusiveness. This is outlined in the Company's Diversity and Inclusion Policy, which is available on the Company's website.

Diversity is defined as the characteristics that make one individual different from another. Diversity encompasses gender, race, ethnicity, disability, age, sexual orientation, physical capability, family responsibilities, education, cultural background and more.

Inclusion is defined as a sense of belonging, respecting and valuing all individuals, providing fair access to opportunity, and removing discrimination and other barriers to involvement. The Board recognises that inclusion leads to a better experience of work for Summerset's employees, makes teams stronger, leads to greater creativity and performance, contributes to a more meaningful relationship with residents, their families and stakeholders, and ultimately increases value to Shareholders.

The Board believes that diversity across the workforce makes Summerset stronger and better able to connect with, and bring the best of life to, residents on a day-to-day basis. When there is a variety of thinking styles, backgrounds, experiences, perspectives and abilities, employees are more able to understand residents' needs and to respond effectively to them.

The Diversity and Inclusion Policy states that the objective of Summerset's Diversity and Inclusion Policy is to: 'Actively engage, communicate and develop our people leaders and our employees to enhance the awareness and understanding of diversity and inclusion that enhances our organisational culture and positively contributes to delivering the "best of life" for our customers.'

To help Summerset's leaders lead their increasingly diverse and multi-cultural teams and support diversity and inclusion the Company started its "Creating an Inclusive Workplace" training programme for all managers in 2023. The programme helps leaders to deepen their understanding of others and create an inclusive team environment where all team members feel valued, appreciated, and can contribute to bringing the best of life for residents.

Summerset also supported the establishment of employee representative groups including the Summerset Pride Network, and continued work of the Women in Construction Forum. Both groups aim to seek equity and inclusion through building awareness of the challenges, celebrating the successes, and supporting the ideas of these groups.

Each year the Board reviews and assesses performance against the financial year objectives. The Board considers that for the year ended 31 December 2023, the objectives for achieving diversity have been met.

As at 31 December 2023 (and 31 December 2022 for the prior comparative period), the mix of gender of those employed by the Company is set out in the table on the following page.

The Executive Leadership Team comprises the CEO, the CFO and all General Managers who report to the CEO.

These figures include permanent full-time, permanent part-time, fixed-term and casual employees, but not independent contractors.

	GENDER	2023	2022
Directors	Male	4	4
	Female	3	3
Total		**7**	**7**
Executive Leadership Team	Male	5	6
	Female	4	3
Total		**9**	**9**
All staff	Male	626	535
	Female	1,839	1,594
	Gender diverse[1]	3	2
Total staff		**2,468**	**2,131**

1 Self-identified

Board performance

The Board is committed to evaluating its performance on a regular basis, generally with a formal, external review bi-annually and an internal self-review each intervening year. The process, including evaluation criteria, is considered by the People and Culture Committee and approved by the Board.

Executive Leadership Team performance

The Board evaluates the performance of the CEO annually. The CEO reviews the performance of direct reports, and reports to the Board on those reviews. The evaluation is based on criteria that include the performance of the business and the accomplishment of longer-term strategic objectives. It may include quantitative and qualitative measures. During the most recent financial year, performance evaluations were conducted in accordance with this process.

Management commentary
(no financial statements)

Principle 3: Board committees

'The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.'

Board committees

The Board has four standing committees: the Audit and Risk Committee, the People and Culture Committee, the Clinical Governance Committee, and the Development and Construction Committee. Each committee operates under a charter approved by the Board, and any recommendations they make are to the Board. The charter for each committee is reviewed annually. All Directors are entitled to attend committee meetings.

Audit and Risk Committee

While the ultimate responsibility for ensuring the integrity of the Company's financial reporting rests with the Board, the Company has in place processes to ensure the accurate presentation of its financial position. These include:

- An appropriately resourced Audit and Risk Committee operating under a written charter, with specific responsibilities for financial reporting and risk management;
- Review and consideration by the Audit and Risk Committee of the financial information and preliminary releases of results to the market, before making recommendations to the Board;
- A process to ensure the independence and competence of the Company's external auditors and a process to ensure their compliance with the Company's External Audit Independence Policy (available on the Company's website);
- Responsibility for appointment of the external auditors residing with the Audit and Risk Committee;
- Monitoring by the Audit and Risk Committee of the strength of the internal control environment by considering the effectiveness and adequacy of Summerset's internal controls, reviewing the findings of the external auditor's review of internal control over financial reporting, and being involved in setting the scope for the internal audit programme;
- Ensuring that management has established a risk management framework and monitoring the Company's risk profile and reporting of risk, including new and emerging sources of risk (including climate risk).

One of the main purposes of the Audit and Risk Committee is to ensure the quality and independence of the external audit process. The Committee makes enquiries of management and the external auditors so that it is satisfied as to the validity and accuracy of all aspects of the Company's financial reporting. All aspects of the external audit are reported back to the Audit and Risk Committee and the external auditors are given the opportunity at Committee meetings to meet with Directors.

The Audit and Risk Committee must comprise a minimum of three Directors, the majority of whom must be Independent. The Committee is chaired by an Independent Director who is not the Chair of the Board. The Committee currently comprises, Fiona Oliver (Chair), Mark Verbiest, Gráinne Troute, Stephen Bull and Venasio-Lorenzo Crawley.

The Audit and Risk Committee generally invites the CO, CFO and General Manager Corporate Services, Head of Finance, internal auditors and external auditors to attend meetings. The Committee also meets and receives regular reports from the external auditors without management present, concerning any matters that arise in connection with the performance of their role.

People and Culture Committee

The role of the People and Culture Committee is to assist the Board in establishing and reviewing remuneration policies and practices, culture, leadership and capability, succession, employee development, inclusion, diversity and engagement for the Company and in reviewing Board composition. Specific objectives include:

- Supporting the Board in ensuring the Company's vision and commitment to its people strategy is aligned with, and an enabler of, the Company's business strategy;
- Assisting the Board in planning the Board's composition;
- Evaluating the competencies required of prospective Directors (both non-executive and executive);
- Identifying those prospective Directors and establishing their degree of independence;
- Developing the succession plans for the Board, and making recommendations to the Board accordingly;
- Overseeing the process of the Board's annual performance self-assessment and the performance of the Directors;

Management commentary
(no financial statements)

- Assisting the Board in establishing remuneration policies and practices, and setting and reviewing the remuneration of the Company's CEO, Executive Leadership Team and Directors; and
- Monitoring remuneration policy and practice and making recommendations to the Board in relation to any substantive changes.

The People and Culture Committee must comprise a minimum of three Directors, the majority of whom must be Independent. The Committee currently comprises Gráinne Troute (Chair), Mark Verbiest, Dr Marie Bismark and Venasio-Lorenzo Crawley. The Board's policy is that the Board needs to have an appropriate mix of skills, experience and diversity to ensure that it is well equipped. The Board reviews and evaluates on a regular basis the skill mix required, and identifies any existing gaps.

Clinical Governance Committee

The role of the Clinical Governance Committee is to assist the Board in ensuring a systematic approach to maintaining and improving the quality of care provided by the Company. Specific objectives include:

- Providing oversight that appropriate clinical governance mechanisms are in place and are effective throughout the organisation;
- Supporting the leadership role of the Chief Executive Officer in relation to issues of quality, safety and clinical risk;
- Working with management to identify priorities for improvement;
- Ensuring that the principles and standards of clinical governance are applied to the health improvement and health protection activities of the Board;
- Ensuring that appropriate mechanisms are in place for the effective engagement of representatives of residents and clinical staff.

The Clinical Governance Committee must comprise a minimum of three Directors. The Committee currently comprises Dr Marie Bismark (Chair), Gráinne Troute, Venasio-Lorenzo Crawley and Dr Andrew Wong.

Development and Construction Committee

The role of the Development and Construction Committee is to assist the Board in:

- Supporting management to establish and achieve development and construction objectives within the Company's long-term plan;
- Supporting management to develop and implement strategies to achieve the Company's development and construction objectives in line with best practice;
- Helping the Company maintain appropriate risk management strategies to identify, mitigate and manage development and construction risks;
- Maintaining a good understanding of, and confidence in, the Company's frameworks, systems, processes and personnel required to manage the Company's development and construction activities effectively, including the assessment and realisation of opportunities and the application of appropriate risk management;
- Working with management to identify areas for improvement and innovation in construction and development practices.

The Development and Construction Committee must comprise a minimum of three Directors. The Committee currently comprises Stephen Bull (Chair), Mark Verbiest, Fiona Oliver, Venasio-Lorenzo Crawley and Dr Andrew Wong.

Attendance at Board and committee meetings

A total of six Board meetings, seven Audit and Risk Committee meetings, five People and Culture Committee meetings, three Clinical Governance Committee meetings and three Development and Construction Committee meetings were held in 2023. Director attendance at Board meetings and committee member attendance at committee meetings is shown in the table below.

	Board	Audit and Risk Committee	People and Culture Committee	Clinical Governance Committee	Development and Construction Committee
Total number of meetings held	**6**	**7**	**5**	**3**	**3**
Mark Verbiest	6	7	5	1[1]	3
Anne Urlwin[2]	1	2	2	1	1
Fiona Oliver[3]	5	5	2[1]	–[1]	2
Dr Andrew Wong	6	3[1]	3[1]	3	3
Gráinne Troute	6	7	5	2	2[1]
Dr Marie Bismark	6	7[1]	5	3	3[1]
Stephen Bull	6	7	4[1]	1[1]	3
Venasio-Lorenzo Crawley[4]	6	7	5	3	3

1 Not a member of this committee

2 Anne Urlwin: retired as a Director effective 28 February 2023

3 Fiona Oliver: appointed as a Director and as Chair of the Audit and Risk Committee from 1 March 2023; appointed to the Development & Construction Committee from 27 June 2023

4 Venasio-Lorenzo Crawley: appointed to the Clinical Governance Committee from 27 June 2023

Principle 4: Reporting and disclosure

'The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.'

Making timely and balanced disclosures

The Company is committed to promoting Shareholder confidence through open, timely and accurate market communication. The Company has in place procedures designed to ensure compliance with its disclosure obligations under the NZX and ASX Listing Rules. The Company's Market Disclosure and Communications Policy sets out the responsibilities of the Board and management in disclosure and communication, and procedures for managing this obligation.

Copies of key governance documents, including the Code of Ethics, Securities Trading Policy and Guidelines, Board and Committee Charters, Diversity and Inclusion Policy, Board and Executive Remuneration Policy, and Market Disclosure and Communications Policy are all available on the Company's website at www.summerset.co.nz/investor-centre/governance-documents.

Non-financial disclosures, such as the Company's approach to health and safety, our people, the community and the environment are included within this Annual Report and in our separate Sustainability Review and Climate-Related Disclosures FY23 document available at www.summerset.co.nz/investor-centre/esg-reporting/.

Principle 5: Remuneration

'The remuneration of Directors and executives should be transparent, fair and reasonable.'

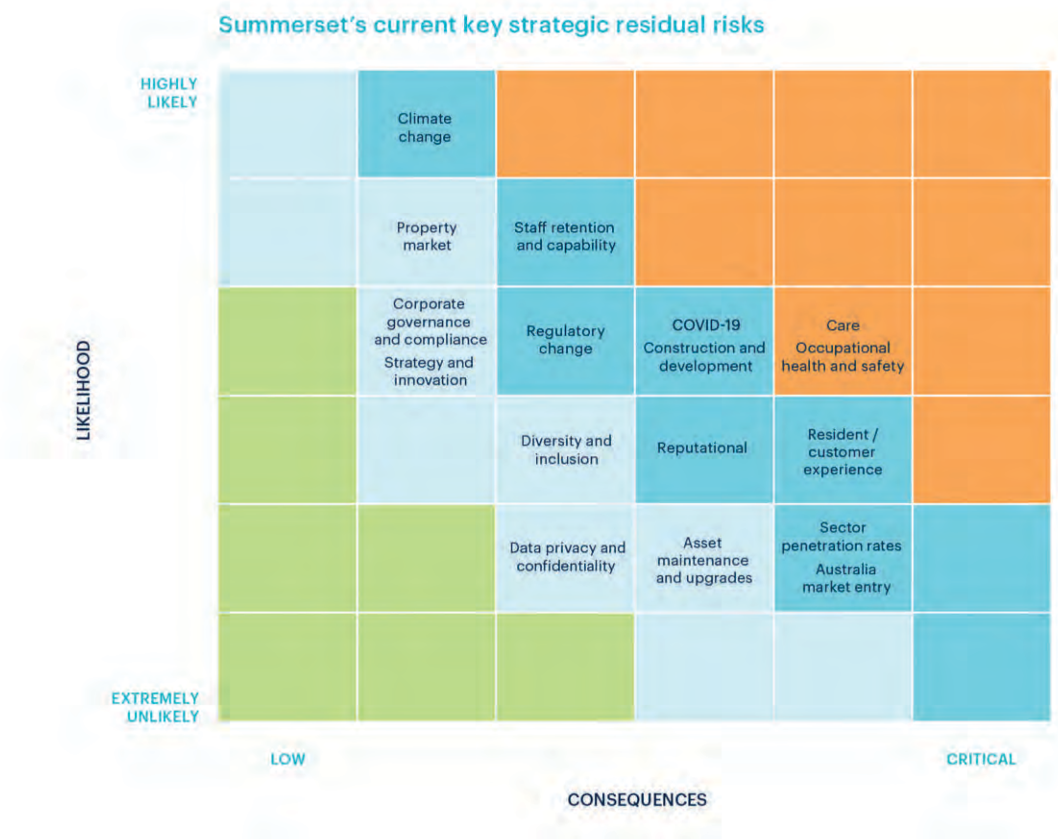
Remuneration of Directors and the Executive Leadership Team is reviewed by the Board's People and Culture Committee. Its membership and role are set out under Principle 3. The committee makes recommendations to the Board on remuneration packages, keeping in mind the requirements of the Board and Executive Remuneration Policy. The level of remuneration paid to the Directors and the Executive Leadership Team will be determined by the Board. However, Directors' fees must be within the limits approved by the Shareholders of the Company.

Further details on remuneration are provided in the Remuneration section of this Annual Report (page 110).

Management commentary
(no financial statements)

Principle 6: Risk management

'Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.'



The Board is responsible for overseeing the management of risks across Summerset's business. Summerset has robust risk management and reporting frameworks in place, whereby material business risks are regularly identified, monitored and managed. Summerset's Audit and Risk Committee is responsible for providing oversight over the Company's risk management framework and compliance with that framework. Key risks are regularly reported to the Board, together with Summerset's approach to risk management. Summerset introduced its refreshed Risk Management Policy and its Enterprise Risk Framework in 2023, consistent with best practice principles set out in the ISO31000:2018 Risk Management Standard.

The members of Summerset's Executive Leadership Team are required to regularly identify the major risks affecting the business, record them in the Risk Register (which identifies the likelihood and consequence of each risk to Summerset's business), and develop structures, practices and processes to manage and monitor these risks.

Summerset has a co-sourced model for internal audit and an in-house Risk and Assurance Manager. As part of the co-sourced model, Summerset has engaged KPMG as its partner to assist with carrying out internal audit work on various parts of the Group's operations, and all major risk and internal control issues are reported on at each Board meeting.

Health and safety (including in relation to risks, performance and management) is discussed regularly at Board meetings and specific reviews are sought as required. Monthly reporting is prepared and used to assist in risk management, covering areas such as health and safety incidents, injury and near-miss frequency rates, and actions undertaken. Further information is covered in the health and safety section of this Annual Report on page 27.

Summerset has a Tax Governance Policy in place, which sets out its tax risk management objectives, tax reporting requirements to the Audit and Risk Committee, and policies and processes to manage tax risk. This Tax Governance

Management commentary
(no financial statements)

Policy is reviewed by the Board every two years. The Board is satisfied that Summerset has effective policies and processes in place to ensure the Company is meeting its obligations. Summerset adopts a risk-averse stance in relation to tax issues and, where possible, seeks certainty on tax positions through proactive engagement with tax authorities.

Summerset has considered whether it has any material exposure to economic, environmental and social sustainability risks (as defined in the ASX Corporate Governance Principles) and has determined the following:

- **Climate change risk** – Summerset expects to operate in a climate that will progressively experience more acute challenges and risks arising from increasing climate variability. This is likely to have various impacts on the longer-term plans and operation of the Group – specifically in relation to the design, build and construction of villages, as well as in the provision of care services to frail residents and the overall lifestyle satisfaction enjoyed in Summerset's villages. For more information on how Summerset is managing climate change risks and opportunities please review our Sustainability Review and Climate-related Disclosures FY23 found at www.summerset.co.nz/investor-centre/esg-reporting/
- **Property market risk** – Property market factors could adversely affect sales volumes, occupancy levels or prices. This may have a flow-on impact to the value of Summerset's property assets and the associated property valuations, which would in turn impact Summerset's financial performance.
- **Staff retention and capability risk** – In a tight and highly competitive labour market, Summerset is at risk of staff shortages. Key areas within our construction and nursing teams will continue to be monitored closely.
- **Corporate governance and compliance risk** – Failure to comply with regulatory, societal and investor expectations in relation to corporate governance and environmental sustainability could impact Summerset's reputation and financial performance over the longer term. Summerset's governance procedures are continually monitored.
- **Strategy and innovation risk** – There is a moderate risk with regard to Summerset's strategic direction and ability to continue to innovate. Summerset's intention is to stay at the forefront in all areas of its business, including technology, design, development and care. Summerset fosters a culture of continuous improvement and invests in innovation through a programme that enables the organisation to anticipate and respond to changes.
- **Diversity and inclusion risk** – While our Diversity and Inclusion Strategy and annual plans fulfil all our obligations in this area and we continue to improve our culture, there is always some level of risk, particularly in a tight labour market. This will continue to be monitored regularly through staff surveys and employees being actively engaged in this area. Pages 99 and 100 provide more information on the Company's Diversity and Inclusion Strategy.
- **Construction and development risk** – Summerset faces construction and property development risks when developing new villages. These risks include project delays, default risk, governance and design risk, and potential labour and materials shortages.
- **Clinical care risk** – This is a high-risk area for Summerset, which requires constant monitoring, management and policy review. Good training and professional development, retention of staff, and investment in health and safety all help mitigate risk in this area. The increasing level of investment required in this area is likely to affect care profitability.
- **Resident and customer experience risk** – Providing top-level resident and customer experience at all times is a challenge due to the nature of the organisation. Summerset has various methods in which it manages and monitors these issues closely, including move-in surveys, ongoing resident feedback surveys, close one-on-one feedback sessions, and close contact with residents, families, next of kin and prospective residents.
- **Health and safety risk** – The health, safety and wellbeing of our people and residents remain a top priority and require systematic approach and strategic focus to ensure continued compliance with relevant legislation.
- **Executing Australian growth risk** – Scaling and managing the ongoing growth of the Australian business and associated business risks. Summerset is mitigating risks through having established a local team, entering a well-researched market, and developing product and service offerings, procedures and processes tailored for the new market. Progress in Australia is under close management oversight and has tracked well to date.
- **Cybersecurity risk** – A cyber-attack may lead to data privacy breaches, loss of integrity / availability of information or of a control system and business disruption potentially resulting in financial loss or reputational damage or regulatory action. Summerset actively monitors and manages these risks through its risk management and reporting frameworks.
- **Asset maintenance and upgrades risk** – Summerset has a coordinated approach to asset management and upgrades in all areas of the business. The Summerset Asset Management Plan dictates likelihood of replacement, and coupled with reactive maintenance analysis and trending directs a proactive application to our replacement

Management commentary
(no financial statements)

programme. Asset upgrade standards are clearly defined and well documented, and industry accepted national asset grading methodology is enforced.

- **Sector penetration rates risk** – Summerset is fortunate to operate in the high-growth New Zealand retirement sector. The risk is a declining penetration (or participation) in the market. Current forecasts show this is unlikely to be the case in New Zealand, but it is a risk to be monitored. Competitors making significant changes to their revenue models or pricing strategy could impact on the revenue earned by Summerset.
- **Reputational risk** – Summerset operates in a sensitive market involving care of vulnerable members of society. Summerset's performance and reputation could be adversely impacted should it suffer adverse publicity, particularly in respect of care or health and safety issues.
- **Regulatory change risk** – Changes in regulation could have a material impact on Summerset's business operations. Summerset has been actively involved in the regulatory change process in relation to the New Zealand and Victorian retirement villages legislative reviews and is well placed to comply with the amendments to these regimes, as well as the amendments to the Australian aged care regime.

Principle 7: Auditors

'The Board should ensure the quality and independence of the external audit process.'

The Board's relationship with its auditors, both external and internal, is governed by the Audit and Risk Committee Charter, External Audit Independence Policy and the Internal Audit Charter. These charters and policies set out the types of engagements that can be performed by the external and internal auditors. The Audit and Risk Committee actively monitors the amount of any non-audit work completed by the external auditor to ensure that independence is maintained.

The external auditor (Ernst & Young) attends the Company's Annual Shareholder Meeting and is available to answer questions from Shareholders in relation to the external audit.

Ernst & Young was first appointed as external auditor of Summerset in 2004. In 2017, a full tender for the external audit services was completed and Ernst & Young was reappointed through this process. The lead audit partner changed in 2023, with the appointment of Sam Nicolle.

KPMG was appointed in the role of internal auditor of the Company in December 2016. With the establishment of a co-source model approach to internal audit in 2020, it currently remains the Company's co-source partner. The internal audit role is governed by the Internal Audit Charter, which states the objectives and scope of internal audit activities. The primary objective of internal audit is to increase the strength of the Company's control environment. This is guided by a philosophy of adding value to improve the operations of the Company. The internal audit assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of its governance, risk management and internal controls. The Internal Audit Programme is set annually by the Audit and Risk Committee.

The Internal Audit Charter sets out the scope of internal audit activities and this encompasses, but is not limited to, objective examinations of evidence to provide independent assessments on the adequacy and effectiveness of operations, governance, risk management and control processes for Summerset. This includes evaluating whether:

- The actions of Summerset's officers, directors, staff, and contractors comply with Summerset's policies, procedures and applicable laws, regulations and governance standards;
- The results of operations or programmes are consistent with established goals and objectives;
- Operations or programmes are being carried out effectively and efficiently, with adequate internal controls;
- Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact Summerset;
- Information and the means used to identify, measure, analyse, classify and report such information is reliable and has integrity; and
- Resources and assets are acquired economically, used efficiently and protected adequately.

Principle 8: Shareholder rights and relations

'The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.'

Respecting the rights of Shareholders

The Company seeks to ensure that its Shareholders understand its activities by communicating effectively with them and giving them ready access to clear and balanced information about the Company.

To assist with this, the Company's website is maintained with relevant information, including copies of presentations and reports. The Company's key corporate governance policies are also included on the website.

The Company's major communications with Shareholders during the financial year include its annual and half-year reports and the Annual Shareholder Meeting. The annual and half-year reports are available in electronic and hard-copy format.

Communicating with Shareholders

The Company welcomes communication and feedback from Shareholders. The Company's investor centre (on its website) provides a Company phone number and email address for communications from Shareholders and investor relations enquiries. All Shareholder communications are responded to within a reasonable timeframe.

The Company provides options for Shareholders to receive and send communications electronically, to and from both the Company and its share and bond registrar. The Company's investor centre includes contact details for Link Market Services, through which all Company shares and bonds are managed.

Shareholder voting rights

Shareholders have the right to vote on major decisions as required by the NZX Listing Rules. Further information on Shareholder voting rights is set out in the Company's Constitution.

Notice of Annual and Special Shareholder Meetings

Notice of Annual and Special Shareholder Meetings are sent to Shareholders and published on the Company's website at least 20 working days prior to the relevant meeting.

Management commentary
(no financial statements)

Board of Directors

ANDREA SCOWN
Future Director

VENASIO-LORENZO CRAWLEY
Independent

GRÁINNE TROUTE
Independent

MARK VERBIEST
Chair, Independent

VIEW DIRECTOR BIOGRAPHIES AT:
www.summerset.co.nz/investor-centre/board-of-directors

FIONA OLIVER
Independent

STEPHEN BULL
Independent

DR ANDREW WONG
Independent

DR MARIE BISMARK
Independent

Management commentary
(no financial statements)

Executive Leadership Team

STEWART SCOTT
General Manager
Development – Australia

DEAN TALLENTIRE
General Manager
Construction

SCOTT SCOULLAR
Chief Executive
Officer

ELEANOR YOUNG
General Manager
Operations and Customer
Experience

VIEW EXECUTIVE LEADERSHIP BIOGRAPHIES AT:

www.summerset.co.nz/investor-centre/our-leadership-team/

Management commentary
(no financial statements)

KAY BRODIE
General Manager
Marketing and
Communications

CHRIS LOKUM
General Manager
People and Culture

WILL WRIGHT
Chief Financial
Officer and
General Manager
Corporate Services

AARON SMAIL
General Manager
Development

FAY FRENCH
General Manager
Sales

Management commentary
(no financial statements)

Remuneration

Remuneration overview

Report from the Chair

Dear shareholders,

On behalf of Summerset's People & Culture Committee I am pleased to present our 2023 Remuneration report.

In December 2023 the NZX released a suggested template for the remuneration sections of listed companies' Annual Reports which we have opted to follow for our FY23 Report. We believe this is a positive step in transparent and consistent reporting.

Remuneration objectives

Our remuneration objectives remained consistent in 2023. Summerset's purpose is to "Bring the Best of Life" to our residents, and the Board is aware that in order to achieve this we need motivated employees performing at a consistently high level. Our objective is that reward outcomes for executive and senor leaders are aligned with outcomes experienced by shareholders, and a competitive and affordable remuneration structure that is equitable and attractive is an important contributory factor for maintaining this high level of employee engagement.

Summerset's executive remuneration is set in accordance with the principles laid out in the People and Culture Committee Charter. More broadly, remuneration encompasses wages, salaries, incentives, non-reimbursing allowances, and a range of employee benefits including KiwiSaver. More information on Summerset's staff benefits can be found on the careers page of the company website[1].

Summerset continues to benchmark pay rates to a market median position, while also being cognisant of factors such as incumbent experience, to create a balance between competitiveness and affordability for the business. During the year we conducted (with expert external input) our annual market analysis of our pay to ensure we remain appropriately positioned against the market, and we continued to offer a number of benefits to our staff to differentiate our offering.

Changes to incentive schemes

Through 2023 we have continued to refine our approach to incentives. We assessed our alignment with other listed companies to ensure we benchmark and balance appropriately in rewarding the performance of the Summerset Executive and Senior managers. To assist this ongoing process, we sought advice from PwC during the year.

In 2022 we moved to solely financial targets for the Long-Term Incentive (LTI) scheme hurdles. Our work during 2023 included further refining our LTI scheme regarding the comparator companies we use to measure the hurdle for absolute total shareholder return. This has meant that, starting with our 2023 allocation, we've broadened our comparator group to the NZX50.

We also completed a review of our Short-Term Incentive (STI) scheme that resulted in refining the shared set of key performance indicators (KPIs) for 2024 and ensuring individual KPIs for the Executive Leadership team are aligned to our new ten year Strategy. We also looked at the STI weighting for the Executive Leadership team between shared and individual KPIs to bring them closer to NZX and ASX market practice, as well as the inclusion of some carbon specific targets for individual KPIs.

Executive KPIs

The 2023 Shared KPIs took a balanced scorecard approach with financial, customer and staff related KPIs. The performance outcomes against 2023 shared KPIs has been strong with all targets achieving on target performance and several exceeding targets including our financial targets and retirement unit deliveries.

These KPIs were all stretch targets, and it's a testament to the strength of the Executive Leadership team, and their people, that they have continued to achieve so highly in a very difficult macroeconomic environment. The Executives' achievements against their individual, role-specific KPIs was also very strong, with the majority fully or partially achieved.

1 *https://careers.summerset.co.nz/staff-benefits*

Management commentary
(no financial statements)

Board fees

Following external benchmarking data we also increased the Board Chair's fee from $181,200 to $195,000, within the approved fee pool, to address a relative misalignment. At the time of writing, a market review of Director fees is being carried out by PWC for the Committee. The outcomes of this review will determine whether an increase to the fee pool might be sought at the forthcoming Annual Shareholder Meeting.

During the year we also established a Due Diligence Committee to oversee Summerset's 2023 bond issue. The three directors on the Committee (Anne Urlwin (replaced on retirement by Mark Verbiest), Stephen Bull and Gráinne Troute) were each paid a fee of $5,000 (+GST) to recognise the additional responsibilities above and beyond the normal duties of the Board they were undertaking.

Gráinne Troute
Chair People & Culture Committee

Remuneration Governance

The Board is assisted in delivering its responsibilities and objectives for Executive remuneration by the People and Culture Committee. The role and membership of this committee is set out in the Governance section of this report.

Summerset's remuneration policy for members of the Executive Leadership Team provides the opportunity for them to receive, where performance merits, a total remuneration package in the upper quartile for equivalent market-matched roles. The People and Culture Committee reviews the annual performance outcomes for all Executive Leadership Team members, including the CEO. The review takes into account external benchmarking to ensure competitiveness with comparable market peers, along with consideration of each individual's performance, skills, expertise and experience.

Executive Remuneration Policy

The remuneration of members of the Executive Leadership Team (CEO and direct reports) is designed to promote a high-performance culture and to align executive reward to the development and achievement of strategies and business objectives that create sustainable value for Shareholders.

Total remuneration is made up of three components: fixed remuneration, short-term incentive (STI) and long-term incentive (LTI).

Fixed remuneration

Fixed remuneration consists of a base salary and benefits. Summerset's guiding policy is to benchmark fixed remuneration with reference to the fixed pay market median.

Short-term incentives

Short-term incentives (STIs) are at-risk payments designed to motivate and reward for performance, typically in that financial year. The target value of an STI payment is set annually, as a percentage of the Executive Leadership Team member's fixed remuneration. For 2023, the relevant percentages were 20–30% (2022: 20–30%).

A proportion of the STI (80% for CEO and 40–70% for the other Executive Leadership Team members) is related to achievement of annual business performance metrics, which aim to align executives to a shared set of KPIs based on business priorities for the next 12 months. Target areas for the shared KPIs for 2023 are outlined below:

Management commentary
(no financial statements)

Target	Minimum performance	On-target weighting	Maximum performance
Underlying EBITDA*	31.5%	35%	70%
New sales development margin*	9%	10%	20%
Resales net cash*	9%	10%	20%
Development numbers	15%	15%	15%
Customer – satisfaction	10%	10%	10%
Customer – clinical	10%	10%	10%
Staff – people and culture	5%	5%	5%
Staff – health and safety	5%	5%	5%
Total payable	**94.5%**	**100%**	**155%**

For 2024, the KPI scheme has been adjusted, with the removal of the health and safety and the clinical target areas. Instead, the Board can now reduce or cancel STI payments where there are concerns around Health and Safety or Clinical performance. This has effectively strengthened their oversight by granting the Board the explicit ability to exercise discretion.

There are three performance levels within each target area – gate-opener, on-target and maximum performance – with 100% of the amount allocated to that target area being payable when the on-target level is achieved. Performance against both financial and non-financial measures is assessed and approved by the Board each year.

The balance of the STI is related to individual performance measures.

In the event that gate-opener underlying EBITDA performance against budget is not achieved, no STI payment will be made. The gate opener is based on achieving 100% of underlying EBITDA performance target (90% pay-out in relation to this target). In addition, the areas of new sales development margin and the resales net cash pay out 90% on achievement of performance targets. Including the other targets, this would mean a total pay-out of 94.5%.

A 100% pay-out is based on achieving 110% of the financial targets (*) and meeting all the other KPI target criteria.

The maximum performance levels allow employees to be rewarded for performance above on-target levels. The maximum amount of an STI payment for an Executive Leadership Team member is 155% of the STI on-target amount for that Executive Leadership Team member and is based on significant overachievement being 125% or more of the financial targets (*) and meeting all the other KPI target criteria and individual performance measures.

Long-term incentives

Long-term incentives (LTIs) are at-risk payments made through a share options plan, designed to align the reward of Executive Leadership Team members with the enhancement of shareholder value over a multi-year period.

LTI Plan

The Executive Leadership Team members are participants in an LTI option plan. Under this plan, Executive Leadership Team members are granted share options. These share options are exercisable in relation to shares in Summerset Group Holdings Limited.

Option grants are made annually, with the value of each grant being set at the date of each grant and determined as a percentage of the Executive Leadership Team member's fixed remuneration. For the three annual option grants made under this plan in 2018, 2019 and 2020, the relevant percentages were 20–40%. Vesting of these share option grants is subject to achievement of performance hurdles, which are assessed over two and three-year periods.

In 2021 the LTI plan was amended. Options are zero priced and vesting will occur in two tranches at three and four years. 50% of each tranche vests based on time (retention) and 50% vests based on performance hurdles. The option grants as a percentage of the Executive Leadership Team member's fixed remuneration ranged from 20% to 30%.

Consistent with prior years, the performance hurdle portion of each tranche is based on the following measures.

50%	Absolute earnings (cumulative actual underlying net profit after tax for the Group against budget)
20%	Relative earnings (earnings per share growth of the Group compared to a defined peer group)
10%	Clinical strategy delivery
10%	People (5% staff engagement; 5% staff turnover)
10%	Customer satisfaction (5% village residents; 5% care centre residents)

Each performance hurdle has a gate opener, which if met results in 50% of the options related to that performance hurdle vesting for that tranche. Where all performance hurdles for a tranche meet gate opener requirements, and including that tranche's time-based options, a total of 55.6% of that tranche's options vest.

On-target performance of all performance hurdles for a tranche, including that tranche's time-based portion, results in a total of 74.1% of that tranche's options vesting. 100% of the options for each tranche vests when the absolute and relative earnings financial performance hurdles (*) achieve 125% (or above) of the on-target performance requirement, and all other performance hurdles meet their on-target performance criteria – this includes the tranche's time-based options.

With the change in vesting periods from two and three years to three and four years, the Board approved a one-off transition grant for existing participants in 2021. The transition grant consisted of two tranches with the first tranche vesting at two years and the second tranche at three years. The options granted were zero priced and are time (retention) based with no performance hurdle requirements.

In 2022 the LTI plan was amended to further improve our alignment with other NZX listed companies. Options remain zero-priced and vesting occurs in two tranches at three and four years. The vesting of all options is now subject to the achievement of two financial performance hurdles – 75% based on absolute Total Shareholder Return (aTSR) and 25% based on relative Total Shareholder Return (rTSR) (compared to a defined peer group). Non-financial hurdles and time-based vesting have been removed.

In 2023 the option grants as a percentage of the Executive Leadership Team member's fixed remuneration ranged from 20–50% (30%-50% in 2022). The performance hurdles for 2023 are consistent with those in 2022 as explained above. However, during the year, Summerset sought external and independent advice from PwC to review the comparator companies we use to measure aTSR. This resulted in a broadening of our comparators to the NZX50.

Performance hurdles are set by the Board with the objective of aligning executive reward to the development and achievement of strategies and business objectives creating sustainable value for shareholders. The Board considers the performance hurdles reflect the drivers of sustainable value for shareholders.

For certain one-off option grants outside of the annual option grant process, performance hurdles are set relating to specific performance milestones for the relevant participant.

In addition to the LTI share option plan in place for Executive Leadership Team members, Summerset also operates an LTI share option plan for other senior managers. The 2018, 2019 and 2020 grants for senior managers did not have any performance hurdles. Effective from 2021, and including the changes made in 2022, all senior managers invited to participate do so on the same terms and conditions as the Executive Leadership Team. In 2023, the number of options granted based on a percentage of fixed remuneration ranged from 15% to 25% (consistent with 2022).

As at 31 December 2023 138,756 Executive share options vested and are therefore currently exercisable subject to Board confirmation of satisfaction of performance hurdle achievement and approval.

The Executive Leadership Team includes the CEO. The CEO Remuneration section provides further details of share option movements under the LTI Plan for the CEO.

Summersets Remuneration Policy relating to the Board and Executive is available to view here www.summerset.co.nz/investor-centre/governance-documents/. The number of executives to whom this policy applies is nine (9) and Board members seven (7).

This Remuneration Report contains disclosure of the employees (other than employees who are directors) who received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded $100,000 per annum, in brackets of $10,000, as required by the Companies Act 1993.

Key Performance Summary

STI Company performance 2023

FY2023 KPI	FY2023 KPI Performance	% STI payable
Underlying EBITDA	On-target performance exceeded	53%
New sales development margin	On-target performance exceeded	15%
Resales net cash	On-target performance partially met	3%
Development numbers	On-target performance met	15%
Customer satisfaction	On-target performance met	10%
Customer clinical quality of care	On-target performance met	10%
People & Culture	On-target performance met	5%
Health & Safety	On-target performance partially met	5%
Total payable		116.4%

LTI performance for vested options 31 December 2023

Tranche 2 – 2020

December 2020 – tranche 2 vesting assessment summary	Assessment	Weighting	Total
Absolute earnings	100%	50%	50%
Relative earnings	100%	20%	20%
Staff engagement	0%	5%	0%
Staff turnover	100%	5%	5%
Customer satisfaction – village residents	100%	5%	5%
Customer satisfaction – care residents	100%	5%	5%
Clinical strategy delivery	100%	10%	10%
Total		**100%**	**95%**

Tranche 1 – 2021
Special transition grant – time-based grant of zero priced options, therefore no performance hurdles.

Management commentary
(no financial statements)

Chief Executive Officer remuneration arrangements and outcomes

CEO FY23 Remuneration outcomes

This year we have adopted the new NZX reporting guidelines issued in December 2023. This represents a change to STI and LTI reporting in the CEO remuneration table (below). This table refers to the STI *earned* in the reporting year, i.e. the FY23 STI reported will be paid in FY24. Previous annual reports refer to STI *paid* in the financial year, which may relate to a previous year's performance. The LTI value in the table refers to the market value, less exercise price of the vested options within the reporting period at the time of vesting. Previous annual reports record the value of options issued in the reporting year, at the time of issue.

Overall FY23 remuneration

Year	Fixed remuneration		Short Term Incentive (STI)			Long Term Incentive (LTI)					Total[1]
	Base Salary	Other benefits[2]	Earned[3]	Amount earned[4]	Total [5]	Tranche vesting	Number of options vested[6]	Percent awarded[7]	Market price[8]	LTI value[9]	
FY23	$683,612	$26,388	$321,346	113%	$1,031,346	T1 2021	7,877	100%	$10.25	$80,739	$1,112,085
						T2 2020	30,191	95%		$0	
FY22	$649,631	$25,365	$211,432	104%	$886,428	T1 2020	34,927	95%	$8.64	$0	$937,428
						T2 2019	50,000	90%		$51,000	
FY21[10]	$607,155	$24,095	$206,071	105%	$837,321	T1 2019	61,422	95%	$13.13	$338,435	$1,587,868
						T2 2018	60,694	95%		$412,112	
FY21[11]	$166,410	$681	$0	N/A	$167,091	N/A	0	N/A	N/A	N/A	$167,091

1 Fixed REM + STI earned + LTI vesting

2 Other benefits for the current CEO include a car park and KiwiSaver.

3 The STI is the amount assessed as Earned in the reporting period but will be paid in the next (as the assessment of the STI performance hurdle was made after the balance date). E.g. FY23 STI earned will be paid in the FY24 period

4 As a percentage of maximum award

5 Total cash remuneration earned

6 No LTI awarded in the FY21 period to former CEO

7 Maximum precentage awarded for the relevant performance period

8 At vesting date

9 At vesting date

10 Current CEO

11 Former CEO (employment ended 26 March 2021)

Note: The CEO's remuneration package does not include a severance or exit payment, payable on termination of the CEO's appointment.

KiwiSaver

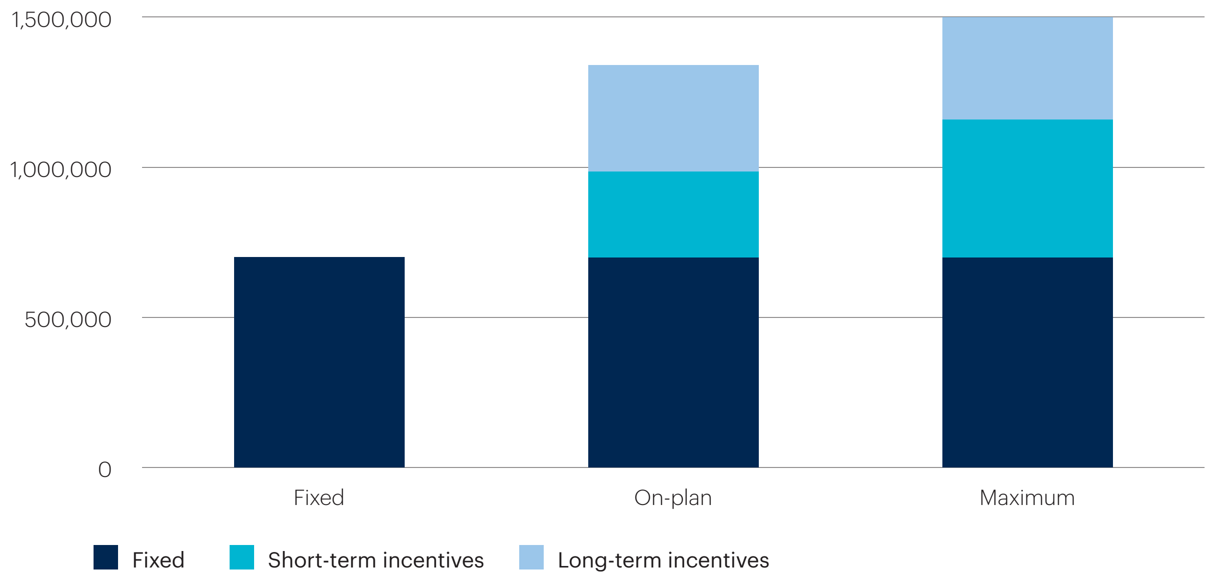
The CEO is a member of KiwiSaver. As a member of this scheme, the CEO is eligible to contribute and receive a company contribution of 3% of gross taxable earnings. For FY2023, the company's contribution for Scott Scoullar was $27,879.05 including ESCT.

STI

The CEO's STI payable in relation to the FY2023 period (payable in February 2024) is $321,346 and is based on achievement of shared KPI targets as per table above (80%) and individual targets (20%).

Management commentary
(no financial statements)

Components of CEO FY2023 annualised remuneration



The CEO's fixed remuneration comprised annual salary and taxable benefits set at $710,000 per annum. The STI and LTI (based on the value granted in the FY2023), being 40% and 50% respectively of fixed remuneration. STI had maximum available payment of 160% of the on-target as noted above. The standard LTI grant for 2023 will vest based on performance to 31 December 2026 (tranche 1) and 31 December 2027 (tranche 2), subject to retention and performance criteria being met. Further details are included in the LTI Plan entitlements section.

Description of Chief Executive Officer remuneration for performance for the year ended 31 December 2023

Plan	Description	Performance measures	Percentage awarded against on-plan performance
LTI	In February 2023, vesting for 34,927 options granted under the LTI Plan at $10.85 on 18 December 2020 was assessed per the Plan Rules. The assessment period was 1 January 2021 to 31 December 2022. The vesting criteria were assessed and 95% of the options vested.	50% based on absolute earnings 25% based on relative earnings 10% based on employee strategy initiatives 10% based on customer satisfaction 5% based on clinical strategy initiatives	95%
	In February 2023, vesting for 50,000 options granted under the LTI Plan at an exercise price of $7.62 on 9 December 2019 was assessed per the Plan Rules. The assessment period was 1 January 2020 to 31 December 2022. The vesting criteria were assessed and 90% of the options vested.	50% based on absolute earnings 25% based on relative earnings 10% based on employee strategy initiatives 10% based on customer satisfaction 5% based on clinical strategy initiatives	90%

Management commentary
(no financial statements)

Chief Executive Offficer – LTI Plan entitlements

PSRs granted to the CEO as at 31 December 2023

Unvested

PSR Award date	Vesting date	Balance of PSRs at 31 December 2023	Awarded during the reporting period		PRS lapsed during the reporting period
			PSRs Awarded	Market Price at Award	
T2 2023	31/12/27	-	18,924	$0.00	-
T1 2023	31/12/26	-	18,924	$0.00	-
T2 2022	31/12/26	17,815	-	$0.00	-
T1 2022	31/12/25	17,815	-	$0.00	-
T2 2021	31/12/25	10,635	-	$0.00	-
T1 2021	31/12/24	10,635	-	$0.00	-
Transition T2 2021	31/12/24	7,887	-	$0.00	-

Vested

PSR award date	Vesting Date	Balance of PSRs 2022[1]	Awarded during the reporting period		PRSs lapsed[2]	Shares Vested during the reporting period			Shares issued/transferred during the reporting period			Balance of PSRs 2023[3]
			PSRs Awarded	Market price[4]		Market price[5]	Market value[6]	Vesting date	Shares issued/ transferred	Market price[7]	Issue/ transfer date	
Transition T1 2021	31/12/23	7,887	-	$0.00	-	$10.25	$80,739	31/12/23	-	-	-	7,887
T2 2020	31/12/23	31,780	-	$10.85	-	$10.25	($18,115)	31/12/23	-	-	-	31,780
T1 2020	31/12/22	34,927	-	$10.85	-	$8.64	($77,189)	-	-	-	-	34,927
T2 2019	31/12/22	50,000	-	$7.62	-	$8.64	$51,000	-	-	-	-	50,000
T1 2019	31/12/21	61,422	-	$7.62	-	$13.13	$338,435	-	61,422	$8.85	01/09/23	-
T2 2018	31/12/21	60,694	-	$6.34	-	$13.13	$412,112	-	61,422	$8.85	01/09/23	-

1 As at 31 December 2022

2 During reporting period

3 As at 31 December 2023

4 At award

5 At vesting date

6 At vesting date

7 At issue/transfer date

Note the CEO is also a participant of the Employee Share Scheme:

Issue date	No. of shares	Status
17 July 2023	97	Vesting 17 July 2026
18 July 2022	98	Vesting 18 July 2025
19 July 2021	73	Vesting 19 July 2024
17 August 2020	107	Vested 17 August 2023
22 July 2019	140	Vested 22 July 2022

The table above includes options granted under the LTI plan prior to 29 March 2021, when the CEO took up this role (previously CFO).

ESG Disclosures

CEO/Worker Ratio

The pay gap represents the number of times greater the CEO remuneration is to the remuneration of an employee paid at the median of all Summerset employees. For the purposes of determining the median paid to all Summerset employees, all permanent full-time, permanent part-time and fixed-term employees are included, with part-time employees remuneration adjusted to a full-time equivalent amount.

At 31 December 2023, the CEO's salary of $683,612 was 10.97 times (2022: 11.0 times) that of the median employee salary at $62,296 per annum. The CEO's total remuneration, including STIs and LTIs, of $1,319,562, was 20.24 times (2022: 20.0 times) the total remuneration of the median employee at $65,210 per annum.

Gender pay gap

Summerset is commited to cultivating a workplace that embraces diversity and inclusivity and acknowledges the significance of addressing gender pay equity within the unique context of New Zealand and Australia.

We are undertaking a thorough examination of the factors contributing to any gender pay gap that may exist within our organisation. We are dedicated to fostering an environment that values all employees, and we recognise the importance of fair compensation and equal opportunities for everyone on our team.

While we are currently in the process of reviewing our internal data, Summerset affirms its commitment to advancing discussions and initiatives that contribute to a workplace where every individual, irrespective of gender, is accorded respect and opportunities.

Remuneration bands

The number of employees or former employees (including employees holding office as Directors of subsidiaries), who received remuneration and other benefits valued at or exceeding $100,000 during the financial year ended 31 December 2023 is specified in the following table.

The remuneration figures shown in the Remuneration column include all monetary payments actually paid during the course of the year ended 31 December 2023. The table also includes the value of options granted to individual employees under Summerset's LTI Plan during the same period. The table does not include amounts paid after 31 December 2023 that relate to the year ended 31 December 2023.

The method of calculating remuneration is consistent with the method applied for the previous year.

Remuneration	Number of employees	Remuneration	Number of employees
$100,000 to $109,999	112	$320,000 to $329,999	1
$110,000 to $119,999	98	$330,000 to $339,999	5
$120,000 to $129,999	55	$340,000 to $349,999	1
$130,000 to $139,999	64	$350,000 to $359,999	1
$140,000 to $149,999	35	$360,000 to $369,999	2
$150,000 to $159,999	27	$380,000 to $389,999	3
$160,000 to $169,999	20	$390,000 to $399,999	1
$170,000 to $179,999	19	$430,000 to $439,999	1
$180,000 to $189,999	17	$440,000 to $449,999	1
$190,000 to $199,999	12	$450,000 to $459,999	1
$200,000 to $209,999	9	$460,000 to $469,999	1
$210,000 to $219,999	10	$470,000 to $479,999	1
$220,000 to $229,999	8	$480,000 to $489,999	1
$230,000 to $239,999	3	$490,000 to $499,999	1

Management commentary
(no financial statements)

$240,000 to $249,999	7	$640,000 to $649,999	1
$250,000 to $259,999	4	$690,000 to $699,999	1
$260,000 to $269,999	6	$710,000 to $719,999	1
$270,000 to $279,999	2	$750,000 to $799,999	1
$280,000 to $289,999	3	$810,000 to $819,999	1
$290,000 to $299,999	1	$990,000 to $999,999	1
$300,000 to $309,999	3	$1,310,000 to 1,319,999	1
$310,000 to $319,999	2		

Director remuneration

The Board of Directors Chair fees were increased by the Board with effect from 1 September 2023. The increase was made utilising the pool of funds approved by shareholders for payment of Directors fees. As at 31 December 2023, the maximum aggregate amount of remuneration payable by Summerset to Directors (in their capacity as Directors) was $904,450 per annum for the non-executive Directors (2022: $904,450) and annualised standard Directors' fees were $845,000, inclusive of additional remuneration for committee Chairs (2022: $831,200).

In respect of Australian based Directors, the Board has decided to pay those Directors in Australian Dollars at the same face value the New Zealand Directors are paid. This results in those Directors receiving slightly higher fees (as recorded in the table below). As at 31 December 2023, the only Director who received payment in Australian dollars was Stephen Bull.

As at 31 December 2023, the standard Director fees per annum are as follows:

Fee schedule

Governance body	Position	Fees for reporting period
Board of Directors	Chair	$195,000
	Director	$97,500
Audit and Risk Committee	Chair	$20,000
Clinical Governance Committee	Chair	$15,000
People and Culture Committee	Chair	$15,000
Development and Construction Committee	Chair	$15,000

No additional fees are paid to standing committee members.

Directors' fees exclude GST, where appropriate. Directors are entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs.

Directors and Officers also have the benefit of Directors' and Officers' liability insurance. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for Summerset. There are some exclusions within the policy. The insurance cover is supplemented by the provision of Director and Officer indemnities from the Company, but this does not extend to criminal acts.

The Company distinguishes the structure of non-executive Directors' remuneration from that of executive Directors.

The total amount of remuneration and other benefits received by each Director during the year ended 31 December 2023 is provided below. These amounts reflect actual payments to directors during the year, and consequently, depending on each Director's quarterly billing cycle, payroll periods and the actual payment date, the amounts stated may vary between directors and may not be representative of the directors' fees earned for the year ended 31 December 2023.

Management commentary
(no financial statements)

Actual fees paid in CY2023

Director	Board fees	Audit and Risk Committee	People and Culture Committee	Clinical Governance Committee	Development and Construction Committee	Other Board Committees[1]	Total
Mark Verbiest	$140,450 (Chair)					$2,500	$142,950
Anne Urlwin	$16,250	$3,333 (outgoing Chair)				$2,500	$22,083
Dr Andrew Wong	$97,500						$97,500
Gráinne Troute	$97,500		$15,000 (Chair)			$5,000	$117,500
Fiona Oliver	$81,250	$16,667 (incoming Chair)					$97,917
Dr Marie Bismark	$102,404			$15,000 (Chair)			$117,404
Stephen Bull	$105,491				$16,229	$5,467	$127,187
Venasio Lorenzo Crawley	$97,500						$97,500
Total	**$738,345**	**$20,000**	**$15,000**	**$15,000**	**$16,229**	**$15,467**	**$820,041**

1 *A Due Diligence Committee was established in FY23 to oversee Summerset's 2023 bond issue*

Management commentary
(no financial statements)

Disclosures

Director changes during the year ended 31 December 2023

Fiona Oliver was appointed to the Board on 1 March 2023. Anne Urlwin retired from the Board on 28 February 2023.

Directors' interests

The following is an excerpt from the Company's Interests Register, showing the material interests of Directors as at 31 December 2023, together with any entries in the Interests Register made during the year for the purposes of section 211(1)(e) of the Companies Act 1993. Interests no longer held as at 31 December 2023 are disclosed in *italics*.

Director	Entity	Position
Mark Verbiest	Meridian Energy Limited	Chair
	Willis Bond	Consultant
	WorkSafe (appointed October 2023)	Crown Monitor
Dr Marie Bismark	GMHBA Health Insurance	Director
	Royal Australasian College of Physicians	Fellow
	Veteran's Health Advisory Panel	Member
	Public Health Medicine Specialist registered with New Zealand Medical Council	n/a
	Royal Women's Hospital, Melbourne	Director
	University of Melbourne	Professor
	Te Whatu Ora - Capital & Coast (Role changed from Psychiatry Registrar to Consultant Psychiatrist in June 2023)	Consultant Psychiatrist
	Victorian Department of Health's Voluntary Assisted Dying 5 Year Review Governance Committee (appointed September 2023	Member
	Australian Institute of Company Directors (Victoria)	Council Member

Director	Entity	Position
Gráinne Troute	Tourism Holdings Limited	Director
	Investore Property Limited	Director
	Duncan Cotterill	Board Member
	Montana Group Limited (appointed June 2023)	Chair
	Tourism Industry Aotearoa (retired June 2023)	*Chair*
	Tourism Industry Transformation Plan (retired June 2023)	*Chair*
Dr Andrew Wong	HealthCare Holdings Limited	Managing Director
	QCS (Quipt Clinical Supplies) Limited	Director
	Health Tick Limited	Director
	The Drug Detection Agency Group Limited	Director
	Kakariki Hospital Limited	Director
	Ascot Hospitals and Clinics Limited	Managing Director
	New Zealand Radiology Group Limited	Director
	MercyAscot Properties Limited	Director
	Endoscopy Auckland Limited	Chair
	Auckland Radiation Oncology Limited	Chair
	Kensington Hospital Limited	Director
	MercyAscot Orthopaedics Limited	Chair
	Auckland University of Technology	Adjunct Professor
	Forte Health Limited (appointed June 2023)	Director
	Careway Ltd	Chair
	Mountain Road Properties Ltd	Director
Venasio-Lorenzo Crawley	AUT Business School	Chair
	Added Value Limited	Director and Shareholder
	Te Whatu Ora - People, Culture, Development and Change Committee	Independent Board Member

Management commentary
(no financial statements)

Director	Entity	Position
	(appointed February 2023)	
	IOD Pacific Governance Advisory Board (appointed February 2023)	Member
Stephen Bull	MaxCap Industrial Opportunites Fund	Investment Committee Member
	Bridge Housing Limited (appointment changed from Director to Chair in November 2023)	Chair
	NSW Government Transport Asset Holding Entity (appointed February 2023)	Investment Committee Member
	Wingate Direct Property (retired June 2023)	*Investment Committee Member*
Fiona Oliver	Freightways Limited[1]	Director
	Gentrack Group Limited[1]	Director
	First Gas Limited (including related subsidiaries and holding companies)[1]	Director
	Kingfish Limited[1]	Director
	Barramundi Limited[1]	Director
	Marlin Global Limited[1]	Director
	New Zealand Waterpolo[1]	Director
	Grasmere Trust[1]	Trustee
	Bella Vista Trust[1]	Trustee
	Wilson Partners (Oliver) Trustees Limited[1]	Director
	Wynyard Group Limited (in liquidation)[1]	Director
	NZ Superannuation Fund[1]	Guardian
Anne Urlwin*	Infratil Limited (appointed January 2023)	Director
	Te Runanga Audit and Risk Committee of Te Runanga O Ngai Tahu	Independent Chair
	City Rail Link Limited	Director
	Precinct Properties New Zealand Ltd	Director
	Queenstown Airport Corporation Ltd	Director
	Vector Limited	Director
	Ventia Services Group Limited	Director

1 Added 1 March 2023 on appointment

*Anne Urlwin ceased to be a Director with effect from 28 February 2023.

Information used by Directors

There were no notices from Directors of the Company requesting to disclose or use Company information received in their capacity as Directors that would not otherwise have been available to them.

Directors' security holdings

Securities in the Company in which each Director has a relevant interest as at 31 December 2023 are specified in the table below:

Director	Ordinary shares	SUM020 retail bonds	SUM030 retail bonds	SUM040 retail bonds
Mark Verbiest	11,500*	–	–	–
Dr Marie Bismark	24,967	–	–	–
Gráinne Troute	25,843	–	–	–
Dr Andrew Wong	10,500	–	–	–
Venasio-Lorenzo Crawley	4,285	–	–	–
Stephen Bull	6,700	–	–	–
Fiona Oliver	9,700	–	–	–
Total	**93,495**	**0**	**0**	**0**

**Mr Verbiest's wife has a legal and beneficial interest in 11,500 SUM ordinary shares.*

Management commentary
(no financial statements)

Securities dealings of Directors

During the year, Directors disclosed the following transactions in respect of Section 148(2) of the Companies Act 1993. These transactions took place in accordance with the Company's Securities Trading Policy.

Director	Nature of relevant interest	Date of transaction	Number of securities acquired/ (disposed)	Consideration
Dr Marie Bismark	Legal and beneficial interest	23 March 2023	283	Issue of shares under dividend reinvestment plan at $8.50 per share
	Legal and beneficial interest	19 September 2023	246	Issue of shares under dividend reinvestment plan at $9.65 per share
Gráinne Troute	Legal and beneficial interest	23 March 2023	233	Issue of shares under dividend reinvestment plan at $8.50 per share
	Legal and beneficial interest	19 September 2023	201	Issue of shares under dividend reinvestment plan at $9.65 per share
Fiona Oliver	Power to acquire or dispose	23 May 2023	9,700	On-market acquisition of ordinary shares at an average prices of $8.75 per share

Director appointment dates

The date of each Director's first appointment to the position of Director is provided below. Since the date of appointment, Directors have been re-appointed at Annual Meetings when retiring by rotation as required.

Director	Appointment date
Mark Verbiest	1 July 2021
Anne Urlwin*	1 March 2014
Dr Marie Bismark	1 September 2013
Gráinne Troute	1 September 2016
Dr Andrew Wong	1 March 2017
Venasio-Lorenzo Crawley	1 February 2020
Stephen Bull	1 March 2022
Fiona Oliver	1 March 2023

**Anne Urlwin retired on 28 February 2023*

Indemnity and insurance

In accordance with Section 162 of the Companies Act 1993 and the constitution of the Company, the Company has arranged insurance for, and indemnities to, Directors and Officers of the Company, including Directors of subsidiary companies, for losses from actions undertaken in the course of their legitimate duties or costs incurred in any proceeding.

Directors of subsidiary companies

The remuneration of employees acting as Directors of subsidiaries is disclosed in the relevant banding of remuneration set out under the heading Employee remuneration in the Remuneration section of this Annual Report. Employees did not receive additional remuneration or benefits for acting as Directors during the year.

Scott Scoullar, Will Wright, Aaron Smail, Dean Tallentire, Sarah Theodore and Robyn Heyman were Directors of all the Company's New Zealand incorporated subsidiaries as at 31 December 2023, with the exception of Summerset LTI Trustee Limited (the Directors of which are Mark Verbiest and Dr Marie Bismark). Scott Scoullar, Will Wright, Stewart

Management commentary
(no financial statements)

Scott, Sarah Theodore and Robyn Heyman were Directors of all the Company's Australian incorporated subsidiaries as at 31 December 2023, with the exception of Summerset Care (Australia) Pty Limited (the Directors of which are Scott Scoullar, Will Wright, Stewart Scott and Robyn Heyman). No extra remuneration is payable to any Director of the Company for any Directorship of a subsidiary.

Top 20 Shareholders as at 31 December 2023

Rank	Registered Shareholder	Number of shares	% of shares
1	Custodial Services Limited	23,996,219	10.24%
2	HSBC Nominees (New Zealand) Limited*	20,121,837	8.59%
3	Tea Custodians Limited*	19,644,791	8.39%
4	BNP Paribas Nominees NZ Limited (BPSS40)*	17,154,294	7.32%
5	Citibank Nominees (NZ) Ltd*	14,900,170	6.36%
6	New Zealand Superannuation Fund Nominees Limited*	13,426,762	5.73%
7	FNZ Custodians Limited	8,503,512	3.63%
8	Accident Compensation Corporation*	8,258,257	3.52%
9	Forsyth Barr Custodians Limited	6,728,914	2.87%
10	JPMORGAN Chase Bank*	6,684,523	2.85%
11	New Zealand Depository Nominee	5,015,193	2.14%
12	Hobson Wealth Custodian Limited	4,797,188	2.05%
13	New Zealand Permanent Trustees Limited*	3,990,722	1.70%
14	HSBC Nominees (New Zealand) Limited*	3,717,515	1.59%
15	Premier Nominees Limited*	3,531,903	1.51%
16	JBWERE (NZ) Nominees Limited	2,843,399	1.21%
17	BNP Paribas Nominees (NZ) Limited*	2,392,446	1.02%
18	Premier Nominees Limited*	2,131,651	0.91%
19	Public Trust*	2,108,204	0.90%
20	Pt Booster Investments Nominees Limited	1,785,318	0.76%
	Total	**171,732,818**	**73.29%**

** Shares held through the New Zealand Central Securities Depository Limited*

Spread of Shareholders as at 31 December 2023

Size of shareholding	Shareholders Number	Shareholders %	Shares Number	Shares %
1 to 1,000	3,978	40.48%	1,679,613	0.72%
1,001 to 5,000	3,975	40.45%	9,802,616	4.18%
5,001 to 10,000	1,056	10.75%	7,619,188	3.25%
10,001 to 50,000	710	7.23%	13,387,995	5.71%
50,001 to 100,000	53	0.54%	3,602,084	1.54%
100,001 and over	54	0.55%	198,189,886	84.60%
Total	**9,826**	**100.00%**	**234,281,382**	**100.00%**

Management commentary
(no financial statements)

Substantial product holder notices received as at 31 December 2023

According to the records kept by the Company and notices given under the Financial Market Conducts Act 2013, the following were substantial holders in the Company as at 31 December 2023. The total number of voting products on issue at 31 December 2023 was 234,281,382 ordinary shares.

Shareholder	Relevant interest	% held at date of notice	Date of notice
Fisher Funds Management Limited	13,375,316	5.7365%	31 August 2023
Harbour Asset Management Limited*	13,344,167	5.721%	24 March 2023
New Zealand Superannuation Fund Nominees Limited	11,687,398	5.017%	2 May 2023

** Includes the holding of related body corporate, Jarden Securities Limited*

Top 20 Bondholders as at 31 December 2023

SUM020

Rank	Registered Bondholder	Number of bonds	% of bonds
1	Custodial Services Limited	28,907,000	23.13%
2	FNZ Custodians Limited	22,673,000	18.14%
3	Hobson Wealth Custodian Limited	19,038,000	15.23%
4	Forsyth Barr Custodians Limited	17,808,000	14.25%
5	FNZ Custodians Limited	1,762,000	1.41%
6	Best Farm Limited	1,500,000	1.20%
7	Private Nominees Limited*	1,445,000	1.16%
8	Investment Custodial Services Limited	1,386,000	1.11%
9	Tea Custodians Limited*	1,368,000	1.09%
10	PT (Booster Investments) Nominees Limited*	1,296,000	1.04%
11	JBWERE (NZ) Nominees Limited	1,192,000	0.95%
12	Hobson Wealth Custodian Limited	1,060,000	0.85%
13	Comonwealth Bank of Australia*	772,000	0.62%
14	FNZ Custodians Limited	678,000	0.54%
15	Forsyth Barr Custodians Limited	629,000	0.50%
16	Custodial Services Limited	599,000	0.48%
17	New Zealand Permanent Trustees Limited*	582,000	0.47%
18	Hobson Wealth Custodian Limited	547,000	0.44%
19	Investment Custodial Services Limited	500,000	0.40%
20	Westpac Banking Corporation*	474,000	0.38%
	Total	**104,216,000**	**83.39%**

** Bonds held through the New Zealand Central Securities Depository Limited*

Management commentary
(no financial statements)

SUM030

Rank	Registered Bondholder	Number of bonds	% of bonds
1	Custodial Services Limited	44,033,000	29.36%
2	Tea Custodians Limited*	23,260,000	15.51%
3	FNZ Custodians Limited	17,068,000	11.38%
4	Forsyth Barr Custodians Limited	14,363,000	9.58%
5	Hobson Wealth Custodian Limited	10,124,000	6.75%
6	Westpac Banking Corporation	2,340,000	1.56%
7	NZ Permanent Trustees Ltd Grp Invstmnt Fund No 20*	2,093,000	1.40%
8	FNZ Custodians Limited	1,590,000	1.06%
9	Investment Custodial Services Limited	1,324,000	0.88%
10	ANZ National Bank Limited*	1,265,000	0.84%
11	Private Nominees Limited*	1,215,000	0.81%
12	JBWERE (NZ) Nominees Limited	1,195,000	0.80%
13	Hobson Wealth Custodian Limited	1,165,000	0.78%
14	Forsyth Barr Custodians Limited	969,000	0.65%
15	JPMORGAN Chase Bank	957,000	0.64%
16	NZX WT Nominees Limited	775,000	0.52%
17=	Leveraged Equities Finance Limited	760,000	0.51%
17=	Commonwealth Bank of Australia*	760,000	0.51%
18	JML Capital Limited	700,000	0.47%
19	Forsyth Barr Custodians Limited	668,000	0.45%
20	FNZ Custodians Limited	608,000	0.41%
	Total	**127,232,000**	**84.87%**

** Bonds held through the New Zealand Central Securities Depository Limited*

SUM040

Rank	Registered Bondholder	Number of bonds	% of bonds
1	Custodial Services Limited	51,852,000	29.63%
2	Forsyth Barr Custodians Limited	24,722,000	14.13%
3	FNZ Custodians Limited	9,894,000	5.65%
4	JBWERE (NZ) Nominees Limited	8,960,000	5.12%
5	Hobson Wealth Custodian Limited	8,344,000	4.77%
6	HSBC Nominees (New Zealand) Limited*	7,000,000	4.00%
7	Tea Custodians Limited*	5,690,000	3.25%
8	New Zealand Permanent Custodian Limited	3,553,000	2.03%
9	Investment Custodial Services Limited	2,899,000	1.66%
10	Forsyth Barr Custodians Limited	2,124,000	1.21%
11	Private Nominees Limited*	1,685,000	0.96%
12	Pt (Booster Investments) Nominees Limited*	1,280,000	0.73%

Management commentary
(no financial statements)

13=	Christopher William Randall	1,000,000	0.57%
13=	JBWERE (NZ) Nominees Limited	1,000,000	0.57%
14	Phazma Holdings Limited	935,000	0.53%
15	Yingxian Shi	900,000	0.51%
16	JBWERE (NZ) Nominees Limited	750,000	0.43%
17	David James Foster & Linda Joyce Foster	600,000	0.34%
18	NZX WT Nominees Limited	580,000	0.33%
19	Wellspring Television Limited	509,000	0.29%
20	Custodial Services Limited	502,000	0.29%
	Total	**134,779,000**	**77.00%**

* Bonds held through the New Zealand Central Securities Depository Limited

Spread of bondholders as at 31 December 2023

SUM020

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1 to 1,000	-	-	-	-
1,001 to 5,000	43	6.60%	215,000	0.17%
5,001 to 10,000	133	20.40%	1,278,000	1.02%
10,001 to 50,000	402	61.66%	10,763,000	8.61%
50,001 to 100,000	39	5.98%	3,421,000	2.74%
100,001 and over	35	5.36%	109,323,000	87.46%
Total	**652**	**100.00%**	**125,000,000**	**100.00%**

SUM030

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1 to 1,000	-	-	-	-
1,001 to 5,000	47	6.65%	235,000	0.16%
5,001 to 10,000	162	22.91%	1,565,000	1.04%
10,001 to 50,000	409	57.85%	11,012,000	7.34%
50,001 to 100,000	49	6.93%	4,088,000	2.73%
100,001 and over	40	5.66%	133,100,000	88.73%
Total	**707**	**100.00%**	**150,000,000**	**100.00%**

Management commentary
(no financial statements)

SUM040

Size of bondholding	Bondholders Number	Bondholders %	Bonds Number	Bonds %
1 to 1,000	-	-	-	-
1,001 to 5,000	69	6.70%	345,000	0.20%
5,001 to 10,000	179	17.36%	1,707,000	0.98%
10,001 to 50,000	598	58.00%	16,613,000	9.49%
50,001 to 100,000	106	10.28%	8,579,000	4.90%
100,001 and over	79	7.66%	147,756,000	84.43%
Total	**1,031**	**100.00%**	**175,000,000**	**100.00%**

Waivers from the NZX Listing Rules

No waivers from the application of NZX Listing Rules have been utilised by the Company during the year ended 31 December 2023.

Credit rating

The Company has no credit rating.

Auditor fees

Ernst & Young Wellington has continued to act as auditors of the Company. The amount payable by Summerset and its subsidiaries to Ernst & Young Wellington in respect of FY23 audit fees was $345,300 (noting that this fee includes assurance services in relation to Summerset's long-term incentive plan). In addition, Ernst & Young Wellington undertook assurance services in relation to Summerset's sustainability linked lending arrangements during the year; the fee for this engagement was $52,000. Ernst & Young also performed non-audit work in relation to remuneration advisory services and training, the fees for this engagement was $11,400.

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, Summerset records that it donated $8,800 during the year ended 31 December 2023.

Dividend reinvestment plan

The last date of receipt for a participation election from a shareholder who wishes to participate in the dividend reinvestment plan is 12 March 2024.

This Annual Report is authorised for and on behalf of the Board by:

Mark Verbiest
Director and
Chair of the Board

Fiona Oliver
Director and
Chair of the Audit and
Risk Committee

23 February 2024

Directory

Directory

New Zealand

Northland

Summerset Mount Denby
7 Par Lane, Tikipunga,
Whangārei 0112
Phone (09) 470 0282

Auckland

Summerset Falls
31 Mansel Drive,
Warkworth 0910
Phone (09) 425 1200

Summerset Milldale
Argent Lane, Milldale,
Wainui 0992
Phone (0800) 786 637

Summerset at Monterey Park
1 Squadron Drive, Hobsonville,
Auckland 0618
Phone (09) 951 8920

Summerset at Heritage Park
8 Harrison Road, Ellerslie,
Auckland 1060
Phone (09) 950 7960

Summerset by the Park
7 Flat Bush School Road,
Flat Bush 2019
Phone (09) 272 3950

Summerset at Karaka
49 Pararekau Road,
Karaka 2580
Phone (09) 951 8900

Summerset Half Moon Bay[1]
25 Thurston Place,
Half Moon Bay,
Auckland 2012
Phone (09) 306 1422

Summerset St Johns
188 St Johns Road, St Johns,
Auckland 1072
Phone (09) 950 7982

Waikato – Taupō

Summerset down the Lane
206 Dixon Road,
Hamilton 3206
Phone (07) 843 0157

Summerset Rototuna
39 Kimbrae Drive,
Rototuna North 3210
Phone (07) 981 7822

Summerset by the Lake
2 Wharewaka Road, Wharewaka,
Taupō 3330
Phone (07) 376 9470

Summerset Cambridge
1 Mary Ann Drive,
Cambridge 3493
Phone (07) 839 9482

Bay of Plenty

Summerset by the Sea
181 Park Road,
Katikati 3129
Phone (07) 985 6890

Summerset by the Dunes
35 Manawa Road,
Pāpāmoa Beach, Tauranga 3118
Phone (07) 542 9082

Summerset Rotorua[1]
171-193 Fairy Springs Road,
Rotorua 3010
Phone (0800) 786 637

Hawke's Bay

Summerset in the Bay
79 Merlot Drive, Greenmeadows,
Napier 4112
Phone (06) 845 2840

Summerset in the Orchard
1228 Ada Street, Parkvale,
Hastings 4122
Phone (06) 974 1310

Summerset Palms
136 Eriksen Road,
Te Awa, Napier 4110
Phone: (06) 833 5852

Summerset in the Vines
249 Te Mata Road,
Havelock North 4130
Phone (06) 877 1185

Taranaki

Summerset Mountain View
35 Fernbrook Drive, Vogeltown,
New Plymouth 4310
Phone (06) 824 8900

1 *Proposed villages*

Management commentary
(no financial statements)

Summerset at Pohutukawa Place
70 Pohutukawa Place, Bell Block,
New Plymouth 4312
Phone (06) 824 8532

Manawatū – Whanganui

Summerset in the River City
40 Burton Avenue, Whanganui East,
Whanganui 4500
Phone (06) 343 3133

Summerset on Summerhill
180 Ruapehu Drive, Fitzherbert,
Palmerston North 4410
Phone (06) 354 4964

Summerset Kelvin Grove[1]
Stony Creek, Kelvin Grove,
Palmerston North 4470
Phone (06) 825 6530

Summerset by the Ranges
104 Liverpool Street,
Levin 5510
Phone (06) 367 0337

Wellington

Summerset Waikanae
28 Park Avenue,
Waikanae 5036
Phone (04) 293 0002

Summerset on the Coast
104 Realm Drive,
Paraparaumu 5032
Phone (04) 298 3540

Summerset on the Landing
1-3 Bluff Road, Kenepuru,
Porirua 5022
Phone (04) 230 6722

Summerset at Aotea
15 Aotea Drive, Aotea,
Porirua 5024
Phone (04) 235 0011

Summerset at the Course
20 Racecourse Road, Trentham,
Upper Hutt 5018
Phone (04) 527 2980

Summerset Lower Hutt
1 Boulcott Street,
Lower Hutt 5010
Phone (04) 568 1442

Summerset Cashmere Oaks[1]
Lansdowne
Masterton 5871
Phone (06) 370 1792

Nelson – Tasman

Summerset in the Sun
16 Sargeson Street, Stoke,
Nelson 7011
Phone (03) 538 0000

Summerset Richmond Ranges
1 Hill Street North, Richmond,
Tasman 7020
Phone (03) 744 3432

Marlborough

Summerset Blenheim
183 Old Renwick Road, Springlands,
Blenheim 7272
Phone (03) 520 6042

Canterbury

Summerset Rangiora
141 South Belt, Waimakariri,
Rangiora 7400
Phone (03) 364 1312

Summerset at Wigram
135 Awatea Road, Wigram,
Christchurch 8025
Phone (03) 741 0870

Summerset at Avonhead
120 Hawthornden Road, Avonhead,
Christchurch 8042
Phone (03) 357 3202

Summerset on Cavendish
147 Cavendish Road, Casebrook,
Christchurch 8051
Phone (03) 741 3340

Summerset Prebbleton
578 Springs Road,
Prebbleton 7604
Phone (03) 353 6312

Summerset Rolleston[1]
153 Lincoln Rolleston Road
Rolleston
Phone (0800) 786 637

Otago

Summerset at Bishopscourt
36 Shetland Street, Wakari,
Dunedin 9010
Phone (03) 950 3102

Summerset Mosgiel[1]
51 Wingatui Road,
Mosgiel 0616
Phone (03) 474 3930

1 *Proposed villages*

Management commentary
(no financial statements)

Australia

Victoria

Summerset Cranbourne North
98 Mannavue Boulevard,
Cranbourne North VIC 3977
Phone (1800) 321 700

Summerset Chirnside Park
266-268 Maroondah Hwy,
Chirnside Park VIC 3116
Phone (1800) 321 700

Summerset Torquay[1]
Grossmans Road and Briody Drive,
Torquay VIC 3228
Phone (1800) 321 700

Summerset Cragieburn[1]
1480 Mickleham Road,
Craigieburn VIC 3064
Phone (1800) 321 700

Summerset Oakleigh South[1]
52 Golf Road,
Oakleigh South VIC 3167
Phone (1800) 321 700

Summerset Mernda[1]
305 Bridge Inn Road,
Mernda
VIC 3116 Phone
(1800) 321 700

Summerset Drysdale[1]
145 Central Road,
Drysdale,
VIC 3167 Phone
(1800) 321 700

1 *Proposed villages*

Management commentary
(no financial statements)

Company information

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Wellington 6011

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Wellington 6140

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Email: reception@summerset.co.nz
www.summerset.co.nz

Australia
Deutsche Bank Place,
Level 4, 126 Phillip Street,
Sydney, NSW 2000

Auditor
Ernst & Young

Solicitor
Russell McVeagh

Bankers
ANZ Bank New Zealand Limited
Australia and New Zealand Banking Group Limited
Bank of New Zealand
National Australia Bank Limited
Commonwealth Bank of Australia
Westpac New Zealand Limited
Westpac Banking Corporation
Industrial and Commercial Bank of China Limited
Bank of China Limited
China Construction Bank (New Zealand Limited)

Statutory Supervisor
Public Trust

Bond Supervisor
The New Zealand Guardian Trust
Company Limited

Share Registrar
Link Market Services,
PO Box 91976, Auckland 1142,
New Zealand

Phone: +64 9 375 5998
Email: enquiries@linkmarketservices.co.nz

Directors
Mark Verbiest
Dr Marie Bismark
Stephen Bull
Venasio-Lorenzo Crawley
Gráinne Troute
Fiona Oliver
Dr Andrew Wong

Company Secretary
Robyn Heyman

Management commentary
(no financial statements)

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Artist impression of Summerset by the Ranges, Levin care centre refurbishment

Management commentary
(no financial statements)

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Management commentary
(no financial statements)

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