

# Code of Conduct

## Overview

The following code of business conduct and ethics (the 'Code') was adopted by the board of NorthWest Healthcare Properties Management Limited (formerly Vital Healthcare Management Limited) and its subsidiaries and related parties (the 'Manager') in January 2013 and as subsequently amended.

This Code covers a wide range of business practices and procedures. It does not cover every issue that may arise, but sets out basic principles to guide all directors, officers and employees of the Vital Healthcare group (collectively, 'Vital Personnel').

All Vital Personnel must conduct themselves accordingly and seek to avoid even the appearance of improper behavior. Every Director and employee is expected to act honestly and with personal integrity. As part of this every Director and employee is to act in the best interests of the issuer, shareholders and stakeholders as required by law.

If a law conflicts with a policy in this Code, Vital Personnel must comply with the law. If a local custom or policy conflicts with this Code, Vital Personnel must comply with this Code. If you have any questions about these conflicts, you should ask a senior officer of the Manager how to handle the situation. The Company Secretary of the Manager is the contact person for any questions regarding the Code.

## Breaching the code

Vital Personnel who violate the standards in this Code will be subject to disciplinary action, up to and including termination of their employment or other relationship with the Manager or its subsidiaries or related parties (collectively, the 'Vital Entities'). If you are in a situation that you believe may violate or lead to a violation of this Code, follow the guidelines described below under 'Compliance Procedures'.

## Application

The Code applies to you whenever you are identified as a representative of Vital. In some circumstances, this will include times when you are outside your immediate workplace or working hours, for example at work functions or out of hours work activities.

### 1. The Code

#### A. Compliance with Laws, Rules and Regulations

Obeying the law, both in letter and in spirit, is the foundation on which the Vital Entities' ethical standards are built and is critical to our reputation and continued success. All Vital Personnel must respect and obey the laws of the various jurisdictions in which the Vital Entities operate and avoid even the appearance of impropriety.

Although not all Vital Personnel are expected to know the details of these laws, it is important to know enough to determine when to seek advice from executive members or other appropriate personnel.

The Company Secretary of the Manager is available to assist Vital Personnel in determining applicable legal requirements and to seek the advice of legal counsel where appropriate.

## **B. Conflicts of Interest**

A 'conflict of interest' exists when a person's private interests interfere in any way with the interests of Vital. A conflict of interest can arise when Vital Personnel take actions or have interests that may make it difficult for them to perform their work for the Manager objectively and effectively. Conflicts of interest also may arise when Vital Personnel or members of their families receive improper personal benefits as a result of their positions with a Vital Entity.

Conflicts of interest are prohibited as a matter of policy, except as may be approved by the board of the Manager. Conflicts of interest may not always be clear-cut. If you have a question, you should consult with your supervisor or department head. Any Vital Personnel who become aware of a conflict or potential conflict should bring it to the attention of a supervisor or department head and consult the procedures described below under 'Compliance Procedures'.

For clarity and without limitation, there will be no direct reporting relationships between relatives permitted without prior written approval of the Chief Executive Officer ('CEO').

## **C. Confidentiality**

Vital Personnel must maintain the confidentiality of confidential information entrusted to them by any Vital Entity and persons with whom the Vital Entities do business, except when disclosure is authorized under the Confidential Information Policy or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors or harmful to any Vital Entity or the person to whom it relates if disclosed. The obligation to preserve the confidentiality of confidential information continues even after Vital Personnel cease to have a relationship with the Vital Entities.

Vital Personnel who have access to confidential information are not permitted to use or share that information for trading purposes or for any other purpose except the conduct of the Vital Entities' business. All Vital Personnel should read and abide by the Manager's Confidential Information Policy and Disclosure Policy.

All Vital Personnel shall use only secure media to transmit confidential information.

## **D. Corporate Opportunities**

Vital Personnel are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or positions without the consent of the board of the Manager and from using corporate property, information or positions for improper personal gain.

No Vital Personnel may compete with any of the Vital Entities directly or indirectly. Vital Personnel owe a duty to each Vital Entity to advance its legitimate interests when the opportunity to do so arises.

## **E. Protection and Proper Use of Vital Entity Assets**

All Vital Personnel should endeavor to protect Vital Entity assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the profitability of the Vital Entities. Any suspected incident of fraud or theft should be reported immediately to the Company Secretary of the Manager for investigation.

The obligation of Vital Personnel to protect the assets of the Vital Entities includes the Vital Entities' proprietary information. Proprietary information includes any information that is not known generally to the public or would be helpful to competitors of any of the Vital Entities.

Examples of proprietary information include intellectual property (such as trade secrets, patents, trademarks and copyrights), business, marketing and service plans, designs, databases, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Vital Entity policy and could be illegal and result in civil or criminal penalties. The obligation to preserve the confidentiality of proprietary information continues even after Vital Personnel cease to have a relationship with the Vital Entities.

Vital Entity assets may never be used for illegal purposes.

## **F. Competition and Fair Dealing**

The Vital Entities seek to excel and to outperform any competitors fairly and honestly through superior performance and not through unethical or illegal business practices. Taking proprietary information without the owner's consent, inducing disclosure of that information by past or present employees of other persons or using that information is prohibited. Vital Personnel should respect the rights of, and deal fairly with, the Vital Entities' competitors and persons with whom the Vital Entities have a business relationship. No Vital Personnel should take unfair advantage of anyone through illegal conduct, manipulation, concealment, abuse of proprietary information, misrepresentation of material facts or any other intentional unfair-dealing practice. Nor should any Vital Personnel act in a manner that may be anti-competitive under anti-trust laws. The CEO and/or Chief Financial Officer are available to assist Vital Personnel in determining the application of those laws and to seek the advice of legal counsel where appropriate.

## **G. Gifts and Entertainment**

Business gifts and entertainment are customary courtesies designed to build goodwill and constructive relationships among business partners. These courtesies may include such things as meals and beverages, tickets to sporting or cultural events, discounts not available to the general public, accommodation and other merchandise or services. In some cultures, they play an important role in business relationships. However, a problem may arise when these courtesies compromise, or appear to compromise, a Vital Entity's ability to make fair and objective business decisions or to gain an unfair advantage.

Offering or receiving any gift, gratuity or entertainment that might be perceived to unfairly influence a business relationship should be avoided. These guidelines apply at all times and do not change during traditional gift-giving seasons.

No gift or entertainment should ever be offered, given, provided, authorized or accepted by any Vital Personnel or their family members unless it is not a cash gift, is consistent with customary business practices, is not excessive in value, cannot be construed as a bribe or payoff and does not violate any laws. Strict rules apply when a Vital Entity does business with governmental agencies and officials (as discussed in more detail below). Vital Personnel should discuss with their supervisor or department head any gifts or proposed gifts about which they have any questions.

## **H. Payments to Government Personnel**

All Vital Personnel must comply with all laws prohibiting improper payments to domestic and foreign officials. Other governments have laws regarding business gifts that may be accepted by government personnel. The promise, offer or delivery to an official or employee of various governments of a gift, favour or other gratuity in violation of these laws would not only violate the Vital Entities' policies but could also be a criminal offence. Illegal payments should

not be made to government officials of any country. The Company Secretary of the Manager can provide guidance to Vital Personnel in this area.

## **I. Discrimination and Harassment**

The diversity of Vital Personnel is a tremendous asset. The Vital Entities are firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. Examples include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances. Violence and threatening behavior are not permitted. Vital Personnel are encouraged to speak with the Company Secretary of the Manager when a co-worker's conduct makes them uncomfortable and to report harassment when it occurs.

## **J. Health and Safety**

The Vital Entities strive to provide all Vital Personnel with a safe and healthy work environment. All Vital Personnel have responsibility for maintaining a safe and healthy workplace by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions to a supervisor or department head. Being under the influence, and the possession, of illegal drugs in the workplace will not be tolerated. Vital Personnel should report to work in condition to perform their duties, free from the influence of illegal drugs or alcohol.

## **K. Accuracy of Records and Reporting**

The Vital Entities require honest and accurate recording and reporting of information of the Manager to make responsible business decisions. The Manager's accounting records are relied upon to produce reports for management, directors, managers, security holders, governmental agencies and persons with whom the Manager does business.

All of Vital's financial statements and the books, records and accounts on which they are based must appropriately reflect Vital's activities and conform to applicable legal, accounting and auditing requirements and to the Manager's system of internal controls. Unrecorded or 'off the books' funds or assets should not be maintained unless required by applicable law or regulation.

All Vital Personnel have a responsibility, within the scope of their positions, to ensure that Vital's accounting records do not contain any false or intentionally misleading entries. The Manager does not permit intentional misclassification of transactions as to accounts, departments or accounting records. All transactions must be supported by accurate documentation in reasonable detail and recorded in the proper accounts and in the proper accounting period.

Many Vital Personnel use business expense accounts, which must be documented and recorded accurately. If Vital Personnel are not sure whether a certain expense is legitimate, a supervisor or department head can provide advice. General rules and guidelines are available from the Chief Financial Officer of the Manager.

Business records and communications often become public through legal or regulatory proceedings or the media. Vital Personnel should avoid exaggeration, derogatory remarks, guesswork or inappropriate characterizations that can be misunderstood. This requirement applies equally to communications of all kinds, including e-mail, informal notes, internal memos and formal reports.

## L. Continuous Disclosure

Vital Healthcare Property Trust ('VHPT') is listed on the New Zealand Stock Exchange and managed by the Manager. VHPT is required to comply with the continuous disclosure obligations in the NZX Main Board/Debt Market Listing Rules Listing Rules, and the Financial Markets Conduct Act 2013 which are carried out by the Manager. The Policy applies to all directors, officers and employees of the Manager and its associated entities. NZX has released various guidance notes that assist the Manager when determining whether to disclosure in respect of the obligations imposed under statute and regulatory bodies.

## 2. Waivers of the Code

Any waiver of this Code for directors or officers may be made only by the Board (or a committee of the board to whom that authority has been delegated) and will be promptly disclosed as required by law or stock exchange regulation.

## 3. Reporting and Illegal or unethical Behavior

Each of the Vital Entities has a strong commitment to the conduct of its business in a lawful and ethical manner. Vital Personnel are encouraged to talk to supervisors, managers or other appropriate personnel about observed illegal or unethical behavior and when in doubt about the best course of action in a particular situation. It is the policy of the Vital Entities not to allow retaliation for reports of misconduct by others made in good faith. It is, at the same time, unacceptable to file a report knowing that it is false. All Vital Personnel are expected to cooperate in internal investigations of misconduct.

## 4. Compliance Procedures

All Vital Personnel must work to ensure prompt and consistent action against violations of this Code. However, in some situations it is difficult to know right from wrong. Since we cannot anticipate every situation that will arise, it is important that the Vital Entities have a way to approach a new question or problem. These are the steps to keep in mind:

- ▶ Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- ▶ Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will help you to focus on the specific question you are faced with and the alternatives you have. Use your judgement and common sense - if something seems like it might possibly be unethical or improper, it probably is.
- ▶ Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- ▶ Discuss the problem with your manager. This is the basic guidance for all situations. In many cases, your manager will be more knowledgeable about the question and will appreciate being brought into the decision-making process. Remember that it is your manager's responsibility to help solve problems.
- ▶ Seek help from company resources. In the rare case where it may not be appropriate to discuss an issue with your manager, or where you do not feel comfortable approaching your manager with your question, discuss it locally with your "two-up". If that is not appropriate for any reason, contact the Company Secretary of the Manager.
- ▶ You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected to the extent possible. The Vital Entities do not permit retaliation of any kind against employees for good faith reports of ethical violations.
- ▶ Always ask first, act later: If you are unsure of what to do in any situation, seek guidance before you act.

## Monitoring compliance

On commencement of employment and every twelve months after that, everyone who is employed by or works at Vital must complete the Code of Conduct declaration, to show that they understand the principles of the Code, confirm that they have complied with them in the previous 12 months and agree to comply with them going forward.

All breaches of the Code of Conduct are required to be recorded and reported in line with Vital's policies and procedures.

## Appendix: 1

### Board Requirements are to consider related party benefits and conflicts of interest

#### 1. Related Party Benefits

Under the FMC Act legislation the Manager must not enter into a transaction that provides for a related party benefit to be given to the Manager unless: the manager notifies the supervisor of the transaction, including the related party benefits and the Manager either—

- a. Obtains the supervisor's consent to the transaction; or
- b. (i) the transaction is on 'arm's length terms' being reasonable in the circumstances with each party acting independently and acting in its own best interests; or  
(ii) there are other prescribed benefits; and  
(iii) the manager certifies to that effect.

It is noted that the Trust Deed (cl 12.4) provides that the Supervisor shall refuse to act on a direction of the Manager that relates to the acquisition or disposal of Investments if the Supervisor considers that the proposed acquisition or disposal would be:

- a. In breach of the Trust Deed, any rule of law, or any enactment; or
- b. Manifestly not in the interests of Unit Holders.

**Board Considerations – Related Party Benefits:** Any recommendation made to the Board to enter into a transaction must take this into consideration by identifying: -

- a. Whether there is a related party involved;
- b. Is there any related party benefit arising or likely to arise;
- c. What are the benefits that will accrue to unit holders; and
- d. That the transaction remains subject to the supervisor's consent being obtained.

The Manager has implemented a Conflicts Policy that applies specifically to NorthWest Group entities that are involved in any way with the NorthWest Group's Australia and New Zealand activities. This is available on Vital's website <http://www.vitalhealthcareproperty.co.nz/>.

#### 2. Director's conflicts of interest

The Companies Act 1993 (section 139 (1)) defines the circumstances in which a director is **interested** in a transaction.

These include:

- (a) *is a party to, or will or may derive a material financial benefit from, the transaction; or*
- (b) *has a material financial interest in another party to the transaction; or*
- (c) *is a director, officer, or trustee of another party to, or person who will or may derive a material financial benefit from, the transaction, not being a party or person that is—*

- (i) the company's holding company being a holding company of which the company is a wholly-owned subsidiary; or*
- (ii) a wholly-owned subsidiary of the company; or*
- (iii) a wholly-owned subsidiary of a holding company of which the company is also a wholly-owned subsidiary; or*
- (d) is the parent, child, spouse, civil union partner, or de facto partner of another party to, or person who will or may derive a material financial benefit from, the transaction; or*
- (e) is otherwise directly or indirectly materially interested in the transaction.*

Question to consider: whether a "reasonably informed objective observer would infer from the circumstances that the director's judgement is likely to be influenced to the detriment of the company's best interests".

It is important to note that an **actual** conflict is not required to present itself before the situation is treated as though it has. **Potential** or **perceived** conflicts of interest must also be addressed by a director when considering how to execute their duties.

If directors are unsure whether a conflict may exist, they should discuss the matter with the Chairman of the Board.

It is the responsibility of the director concerned to declare the interest to the board and the disclosure will be recorded in the minutes of the meeting and entered in an interests register. The Companies Act 1993 (section 139 (1)) defines the disclosure required to the board of the company—

- (a) if the monetary value of the director's interest is able to be quantified, the nature and monetary value of that interest; or*
- (b) if the monetary value of the director's interest cannot be quantified, the nature and extent of that interest.*

*(1A) A director of a company is not required to comply with subsection (1) if—*

- (a) the transaction or proposed transaction is between the director and the company; and*
- (b) the transaction or proposed transaction is or is to be entered into in the ordinary course of the company's business and on usual terms and conditions.*

*(4) Every director who fails to comply with subsection (1) commits an offence and is liable on conviction to the penalty set out in [section 373\(2\)](#).*

### 3. Board Considerations – Conflicts of Interest

The board (led by the chair) is collectively responsible for the decision regarding what action is to be taken.

Potential considerations available to the Board, as per section 144:

*A director of a company who is interested in a transaction entered into, or to be entered into, by the company, may—*

- (a) vote on a matter relating to the transaction; and*
- (b) attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purpose of a quorum; and*
- (c) sign a document relating to the transaction on behalf of the company; and*
- (d) do any other thing in his or her capacity as a director in relation to the transaction— as if the director were not interested in the transaction.*



The New Zealand Institute of Directors holds that “procedures for participating in board decisions where directors have a personal interest should ensure the protection of the legal and ethical positions of those involved while preserving the general principle that a company should be entitled to the collective wisdom of all its directors”.

In practice where the board agrees the conflict exists:

- a. the director withdraws from the meeting for the course of discussion and doesn't vote; or
- b. the director stays for the course of discussion and doesn't vote; or
- c. the director stays for the course of discussion and votes.

Alternatively, the board agrees that there is no (or no significant) conflict.

The minutes must accurately reflect all decisions/declarations, including the rationale for the chosen course of action.