

Corporate Governance Statement
Vital Healthcare Property Trust and NorthWest
Healthcare Properties Management Limited
Dated as at 31 July 2018

As at 31 July 2018, the table below identifies how Vital Healthcare Properties Trust (“**Vital**”) and NorthWest Healthcare Properties Management Limited (“**Manager**”) complies with the NZX Corporate Governance Code issued in May 2017 (“**NZX Code**”). The table sets out each principle and an explanation as to if and how Vital and NWHPML complies with the recommendations in the NZX Code. Vital's corporate governance policies, practices and procedures can be found on Vital's website at www.vhpt.co.nz.

Reference	Recommendation	Approach
<i>Principle 1 – Code of Ethical Behaviour</i>		
1.1	<p>The board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere (a code of ethics).</p> <p>The code of ethics and where to find it should be communicated to the issuer's employees. Training should be provided regularly. The standards may be contained in a single policy document or more than one policy.</p> <p>The code of ethics should outline internal reporting procedures for any breach of ethics, and describe the issuer's expectations about behaviour, namely that every director and employee:</p> <ul style="list-style-type: none"> a. acts honestly and with personal integrity in all actions; b. declares conflicts of interest and proactively advises of any potential conflicts; c. undertakes proper receipt and use of corporate information, assets and property; 	<p>Directors and employees of the Manager are required to abide by Vital's Code of Conduct and Board Charter which establishes required standards of ethical and personal conduct. Compliance is a condition of employment.</p> <p>Employees where appropriate are provided with regular training, updates and insights in relation to governance. The Code of Conduct is supplemented by a number of other policies including the Conflicts Policy and Whistleblower Policy which are available on the website at www.vhpt.co.nz.</p>

	<ul style="list-style-type: none"> d. in the case of directors, gives proper attention to the matters before them; e. acts honestly and in the best interests of the issuer, shareholders and stakeholders and as required by law; f. adheres to any procedures around giving and receiving gifts (for example, where gifts are given that are of value in order to influence employees and directors, such gifts should not be accepted); g. adheres to any procedures about whistle blowing (for example, where actions of a whistle blower have complied with the issuer's procedures, an issuer should protect and support them, whether or not action is taken); and h. manages breaches of the code 	
1.2	An issuer should have a financial product dealing policy which applies to employees and directors.	<p>The Manager has a Security Trading Policy which raises awareness about the insider trading provisions in the Financial Markets Conduct Act 2013 ("FMCA"). Prior to the trading of Vital securities a restricted person must get consent in writing from the Chief Financial Officer of the Manager. Vital has set black-out periods for Directors and staff throughout the year. Also blackout periods are invoked when specific events occur.</p> <p>Emails are periodically sent to Directors and employees providing information as to the status of the trading window in relation to the blackout periods.</p> <p>The Security Trading Policy can be found on Vital's website at www.vhpt.co.nz.</p>

Principle 2 – Board Composition and Performance

Reference	Recommendation	Approach
2.1	The board of an issuer should operate under a written charter which sets out the roles and responsibilities of the board. The board charter should clearly distinguish and disclose the respective roles and responsibilities of the board and management.	The Board has adopted a formal written Board Charter which is available on Vital's website at www.vhpt.co.nz .
2.2	Every issuer should have a procedure for the nomination and appointment of directors to the board.	Vital partially complies with this recommendation as the process for appointment of directors is different for a listed managed investment scheme. In Vital's case, directors of the Manager are appointed in accordance with the Trust Deed.

		<p>Independent Directors are appointed by Vital unitholders in the manner described in the Vital Trust Deed. This is available on Vital's website and also on the Disclose Register through the Companies Office https://companies-register.companiesoffice.govt.nz/.</p> <p>Unitholders have the opportunity to nominate two of the Independent Directors of the Manager. Unitholders are able to nominate and vote on one Independent Director of the Manager each year. Subject to the foregoing the Manager is a wholly owned subsidiary of NorthWest Healthcare Real Estate Investment Trust, the appointment of directors is made by NorthWest Healthcare Real Estate Investment Trust.</p>
2.3	An issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.	The only new Director appointed since this recommendation has been put in place is David Carr, who is the Chief Executive Officer of the Manager and has a written agreement in place in that capacity. Going forwards, Vital proposes to enter into written agreements with any new Directors.
2.4	Every issuer should disclose information about each director in its annual report or on its website, including a profile of experience, length of service, independence and ownership interests.	Vital's Annual report includes a profile of experience, length of service, independence and ownership interest of each Director.
2.5	An issuer should have a written diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. The issuer should disclose the policy or a summary of it.	A breakdown of the Manager's staff specific diversity is included in the Annual Report. The Manager does not have a written diversity policy beyond what is in the Annual Report.
2.6	Directors should undertake appropriate training to remain current on how to best perform their duties as directors of an issuer.	Directors are encouraged to maintain and enhance their skills and capabilities through ongoing professional development to be undertaken to satisfy the membership requirements of the Institute of Independent Directors.
2.7	The board should have a procedure to regularly assess director, board and committee performance.	Assessment of the Board and each Directors' performance is determined by the Chair and takes into account overall attendance, contribution and experience of each member concerned.
2.8	The Chair and the CEO should be different people.	<p>The Chair of the Board and the CEO are different people.</p> <p>Claire Higgins, Independent Director, is the Chair.</p> <p>David Carr is the Chief Executive Officer and an Executive Director</p>

<i>Principle 3 – Board Committees</i>		
Reference	Recommendation	Approach
3.1	An issuer’s audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should not also be the chair of the board.	The majority of the Audit Committee is made up of Independent Directors. At this point of time an interim position has been taken with the retirement of Graeme Horsley with Claire Higgins holding the position of Chair for the Audit Committee and the Board. As a result, Vital partially complies with this recommendation.
3.2	Employees should only attend audit committee meetings at the invitation of the audit committee.	Management and other employees may attend an Audit Committee meeting at the invitation of the Audit Committee.
3.3	An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee.	A key feature of the external management structure that Vital operates under is that all employment expenses are the responsibility of the Manager, not Vital. As Vital unitholders are not economically exposed to employment costs, a Remuneration Committee is not considered necessary by the Board at this time.
3.4	An issuer should establish a nomination committee to recommend director appointments to the board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.	Vital does not have a nomination committee and does not comply with this recommendation. Given its structure, the Board considers that it is appropriate that the process for nomination of directors to the Board of the Manager is not the same as for a listed company. The Trust Deed has granted rights to Vital unitholders to nominate and appoint Independent Directors of the Manager as set out in the Trust Deed. See: section 2.2 above.
3.5	An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.	Due Diligence Committee From time to time the Board establishes Due Diligence Committees (DDC) to report on the due diligence process in relation to any potential transaction for Vital of material size or complexity. An example would be a material portfolio acquisition or equity capital raising. A DDC will normally include all Directors, relevant management staff and external consultants appropriate for the transaction. Investment Committee Under the terms of the Conflicts Policy an Investment Committee has been established to avoid, manage and resolve conflicts in a manner which complies with any relevant legal obligations and is equitable to each party. The Conflicts Policy can be found on www.vhpt.co.nz .

3.6	The board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. It should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.	The board of the Manager has not established protocols that set out the procedure to be followed if there is a takeover offer. As a listed managed investment scheme, the Takeovers Code does not apply to units in Vital. The Trust Deed provides for the process to be undertaken if there is a takeover offer for the issuer.
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Principle 4 – Reporting & Disclosure

Reference	Recommendation	Approach
4.1	An issuer's board should have a written continuous disclosure policy.	The Manager is committed to keeping all Unitholders, regulators and the market fully and promptly informed of all material information. The Continuous Disclosure Policy supplements the Code of Conduct which can be found on Vital's website at www.vhpt.co.nz .
4.2	An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.	A copy of all relevant policies noted in this document can be viewed on Vital's website.
4.3	Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks . It should explain how it plans to manage those risks and how operational or non-financial targets are measured.	Vital's Annual Report includes non-financial disclosure. The Manager maintains and regularly reviews a risk management framework as part of its compliance assurance programme. Reports are provided to both the Audit Committee and Board along with an annual risk assessment. Further information on nonfinancial reporting can be found on the website www.vhpt.co.nz .

Principle 5 – Remuneration

Reference	Recommendation	Approach
5.1	An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.	Given its structure, Vital is exempt from the requirement to have director remuneration approved by unitholders. This is because Vital does not have any directors as it is externally managed by the Manager. The remuneration of the directors of the Manager is not paid by Vital, it is paid by the Manager. Accordingly, Vital does not comply with this recommendation.

5.2	An issuer should have a remuneration policy for remuneration of directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria.	Directors' remuneration is not paid by Vital it is paid by the Manager. Accordingly, the Board considers that it is unnecessary for Vital to maintain a remuneration policy. As a result, Vital does not comply with this recommendation.
5.3	An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short term incentives and long term incentives and the performance criteria used to determine performance based payments.	Vital does not have any employees as it externally managed by the Manager. The remuneration of the CEO of the Manager is not paid by Vital. The remuneration is paid by the Manager, which is a private company. Accordingly, Vital does not comply with this recommendation.

Principle 6 – Risk Management

Reference	Recommendation	Approach
6.1	An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. A framework should also be put in place to manage any existing risks and to report the material risks facing the business and how these are being managed	Vital and the Manager has a risk management framework that is integrated into day to day operations. This is part of Vital's compliance assurance requirements under the FMCA. Higher risk groups are reviewed yearly with lower risk groups reviewed biennially. The Compliance Assurance Programme is reviewed on an annual basis and approved by the Board.
6.2	An issuer should disclose how it manages its health and safety risks and should report on their health and safety risks, performance and management	Vital and the Manager have implemented a site specific hazard register which can be updated in real time. The Manager works alongside tenants to assist in providing a safe working environment. The Manager has implemented an Operational Risk Committee that meets on average once a month. This Committee is responsible for reviewing health and safety and risk management systems.

<i>Principle 7 – Auditors</i>		
Reference	Recommendation	Approach
7.1	<p>The board should establish a framework for the issuer's relationship with its external auditors. This should include procedures:</p> <p>(a) for sustaining communication with the issuer's external auditors;</p> <p>(b) to ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired;</p> <p>(c) to address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors to the issuer; and</p> <p>(d) to provide for the monitoring and approval by the issuer's audit committee of any service provided by the external auditors to the issuer other than in their statutory audit role.</p>	<p>The Board has established an Audit Committee with a majority of Independent Directors. The Audit Committee Charter sets out the recommended procedures and a copy can be found on Vital's website www.vhpt.co.nz.</p>
7.2	<p>The external auditor should attend the issuer's Annual Meeting to answer questions from shareholders in relation to the audit.</p>	<p>The external auditors attend the annual meeting and are prepared to answer Unitholders' questions about the conduct of the audit, as well as the preparation and content of the independent auditor's report.</p>
7.3	<p>Internal audit functions should be disclosed.</p>	<p>Vital relies on its external auditors in relation to the internal audit function.</p>

<i>Principle 8 – Shareholder Rights and Relations</i>		
Reference	Recommendation	Approach
8.1	<p>An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.</p>	<p>Vital's website www.vhpt.co.nz enables Unitholders to access financial and operational information and key corporate governance information about the issuer.</p>

8.2	An issuer should allow investors the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically.	Through Vital's website www.vhpt.co.nz and NZX announcements including but not limited to quarterly releases, newsletters and other updates; investors have the ability to easily communicate with the issuer, including providing the option to receive communications from the issuer electronically. There is a Toll free number 0800 225 264 and email address enquiry@vhpt.co.nz in which general enquiries can be directed to.
8.3	Shareholders should have the right to vote on major decisions which may change the nature of the company in which they are invested in.	Terms of Vital's Trust Deed, NZX rules and FMCA 2013 set out requirements under which the Manager must obtain the approval of Vital Unitholders before entering into certain transaction which would change the essential nature of its business.
8.4	Each person who invests money in a company should have one vote per share of the company they own equally with other shareholders.	Unitholders have one vote per unit they hold.
8.5	The board should ensure that the annual shareholders notice of meeting is posted on the issuer's website as soon as possible and at least 28 days prior to the meeting.	Under Vital's Trust Deed 17 clear days' notice is required for notices of meeting to be sent by post. Vital will continue to follow the Trust Deed when determining the day in which the notice of meeting should be sent to Unit Holders and included on the website.