

7 December 2018

## Vital's Manager does not support proposals from three unitholders

The Board of NorthWest Healthcare Properties Management Limited (NWM), the manager of Vital Healthcare Property Trust (Vital), is unanimously opposed to the proposals put forward by three unitholders (Accident Compensation Corporation, ANZ New Zealand Investments Limited and Mint Asset Management Limited) for consideration at the 2018 annual meeting.

NWM Independent Chair Claire Higgins said "the proposals show a misunderstanding of the governance structure for Vital – an externally managed listed trust, rather than a listed company – and suggest misleadingly that they will result in change. In fact, even if approved at the annual meeting, the proposals would not be binding on any of the parties directly involved in the governance of Vital (the Manager and its shareholder, the Board and the Supervisor)".

"Given the nature of Vital's external management structure, which has been in place for more than 20 years and is overseen by a robust regulatory framework, the sorts of changes proposed can only result through commercial dialogue," Mrs Higgins said.

"Fundamentally, the proposals do not stand up to scrutiny. Not only do they try to unilaterally change contractual rights; in some cases, they propose outcomes that are not consistent with New Zealand law. They also ignore the fact that the governance arrangements have created market-leading long term total returns, to the direct benefit of all unitholders."

Mrs Higgins noted that the Board of NWM had engaged in good faith on multiple occasions to address concerns raised by the three unitholders involved in the proposals. "We have subsequently made a number of amendments to our core governance documents, announced along with Vital's August 2018 results".

"We have also recently committed to further measures, which relate directly to the subject matter of the proposals. On 23 November we announced that we would be undertaking a board-led review of management fees and certain rights would not be exercised in the meantime. Mrs Higgins also noted that there is a significant alignment of interests between NWM and the Vital unitholders, with NWM's shareholder NorthWest Healthcare Properties REIT being Vital's largest unitholder at just under 25 percent of the total units on issue.

"It is also notable that the three sophisticated unitholders concerned have continued to invest in full knowledge of the governance structure, including the fee structure. The current arrangements have not changed in more than 20 years and have been fully disclosed and find it somewhat ironic that nothing has changed since ANZ sold the management rights to NWM and that they operated it under the same terms. Naturally, we would expect that any investors would have understood the governance and fee framework before choosing to invest."

The proposals and a formal recommendation from NWM's Board to vote against the proposals has been distributed to unitholders ahead of the annual meeting.

Mrs Higgins also noted that the three unitholders had put forward Mr Paul Mead as a candidate to fulfil the role as Independent Director. As per the Notice of Meeting, the Board unanimously recommends the re-appointment of Graham Stuart as an independent director. Accordingly, if the Chair of the meeting, or any other Director, is appointed to act as proxy and is not directed on how to vote, they will cast the proxy votes in favour of the appointment of Mr Stuart.

Graham is an experienced director, based in Auckland. His current directorships include Independent Chair of NZX listed technology company EROAD Limited and Independent Director of Tower Limited.

Graham has over 30 years' experience in senior executive and governance roles in New Zealand and internationally. These include the Sealord Group of which he was Chief Executive Officer for seven years.

Prior to that, he was Chief Financial Officer and Director of Strategy for the Fonterra Co-operative Group, Managing Director of Lion Nathan International and CEO of Mainland Products.

Graham holds a Bachelor of Commerce (First Class Hons) from the University of Otago and a Master of Science from Massachusetts Institute of Technology, and is a Fellow of the Chartered Accountants Australia and New Zealand.

The Board has determined that Graham Stuart is an independent director for the purposes of the NZX Listing Rules.

**- ENDS -**

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## **About Vital Healthcare Property Trust**

Vital Healthcare Property Trust (NZX: VHP) is Australasia's largest listed investor in healthcare real estate. Tenants include hospital operators and healthcare practitioners who deliver a wide range of medical and healthcare related services. The Manager of Vital Healthcare Property Trust is NorthWest Healthcare Properties Management Limited.

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