

Statement of Investment Policy and Objectives

1.0 Effective date

This Statement of Investment Policy and Objectives (SIPO) is effective as of 30 November 2016, with subsequent amendments effective 9 August 2018 and 6 December 2021.

2.0 Availability of SIPO

The Manager will make this SIPO available on the register entry for the scheme's register on the Disclose website at www.business.govt.nz/disclose.

Otherwise, a copy of the SIPO is available, on request and free of charge, to the Trust's Unit Holders and the FMA by:

- contacting the Manager at enquiry@vhpt.co.nz;
- Downloading from our website (www.vhpt.co.nz).

3.0 Structure

This SIPO is for the managed investment scheme known as Vital Healthcare Property Trust (**Vital or the Trust**).

Vital units are listed on the New Zealand Stock Exchange (NZX code: VHP).

The Trust is managed by NorthWest Healthcare Properties Management Limited (**Manager**) and supervised by Trustees Executors Limited, a supervisor licensed under the Financial Markets Supervisors Act 2011 (**Supervisor**).

The Manager's main function is to identify, acquire, develop and/or manage assets that, directly or indirectly, are real estate or real estate backed, predominantly leased or for lease to healthcare operators in accordance with this SIPO.

4.0 Investment objectives

Vital's vision is to be Australia and New Zealand's leading listed healthcare property fund. Its mission is to deliver stable and growing total Unit Holder returns, including an attractive risk-adjusted income distribution, majority sourced from healthcare real estate.

Consistent with the above, the Trust is a long-term investor. Over time, the Trust intends to increase its net asset value, the value of units held by Unit Holders and the distributions paid to Unit Holders, in each case on a sustainable basis and with reference to the performance monitoring benchmarks set out in this SIPO particularly those set out in section 10 below.

To achieve these objectives, the Trust aims to:

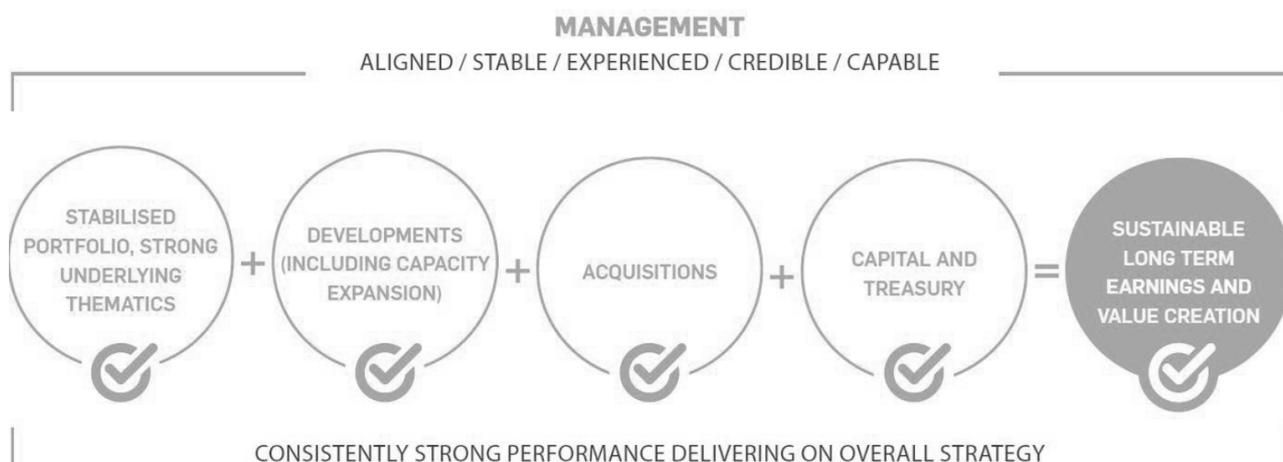
- ▶ Own and manage high quality real estate in good locations primarily used by healthcare operators or used for healthcare purposes;
- ▶ Secure and maintain property occupancy by quality tenant(s); and
- ▶ Achieve long lease terms with tenants where possible,

having regard to a range of metrics including income and asset diversification as well as the most appropriate and sustainable capital structure.

The approach is focused on ensuring that any risks taken are appropriate and commensurate with the Trust's investment objectives.

The Manager will provide regular updates to the NZX on specific targets for the Trust, such as medium-term asset allocations or debt targets, as it considers appropriate from time to time.

5.0 Investment philosophy



The Trust is a long-term investor in healthcare real estate. This means the Trust is focused on investing directly in real property, or in companies or trusts (listed on a recognised stock exchange or unlisted) through financial products, other types of financial instruments or the provision of debt, which themselves own, directly or indirectly, real property with healthcare related qualities.

From time to time, Vital may invest at earlier stages of the development process, including undertaking the design, refurbishment or development of healthcare properties for particular health service operators. Vital does not operate healthcare facilities itself – instead, it receives rental income via leasing its properties primarily to healthcare operators and/or tenants with healthcare characteristics and/or it earns investment income from any healthcare related investments it may undertake.

Vital may also invest in related assets which support healthcare ecosystems or might commonly be found in healthcare precincts such as social infrastructure e.g. real estate which is used predominantly for education, housing and services or technology which support healthcare operators.

6.0 Investment strategy

The Manager determines the investment strategy for the Trust by:

- ▶ Taking into account the investment objectives and investment philosophies set out in this SIPO;
- ▶ Maintaining a clear understanding of the investment market; and
- ▶ Monitoring the performance of the Trust against its investment objectives.

The Trust's healthcare real estate investment universe can be considered quite wide. Typically, the Trust's rent-paying tenants include hospital operators and other healthcare providers who deliver a range of services including medical research, acute surgical, primary healthcare, support, rehabilitation, mental health and residential aged care. Other core tenants may include government organisations (e.g. District Health Boards), pharmaceutical companies, healthcare warehousing and distribution centres and corporate offices of healthcare related organisations (e.g. health insurance providers) or other health sector related entities.

The Trust's investment strategy can be summarised as:

- ▶ Acquire, own (following appropriate and comprehensive due diligence) and maintain a portfolio of primarily healthcare properties (either directly or indirectly);
- ▶ Collect rent and other income from properties (directly or indirectly) owned by the Trust; and
- ▶ Undertake the design, refurbishment and / or development of healthcare properties where appropriate risk and return criteria are met to improve its existing portfolio and / or create new properties typically for long-term ownership by the Trust.

In addition to the above, Vital may invest in other assets which the Manager considers:

1. fall within the parameters of Authorised Investments;
2. appropriately reflect the Trust's risk profile; and
3. will contribute to the long term investment objectives of the Trust.

The Manager acknowledges that Vital is a regulated entity and will ensure compliance with Vital's Trust Deed, the Financial Markets Conduct Act 2013 (**FMCA**), NZX Listing Rules, other applicable regulation and the terms and conditions of its licence.

7.0 Authorised Investments

The Trust will invest only in "Authorised Investments". Authorised Investments as at the effective date of this SIPO are defined in Appendix 1.

The categories of Authorised Investments may be changed:

- (a) With the consent of the Supervisor; or
- (b) With the approval of a Special Resolution (as defined in the Trust Deed) of Unit Holders; or
- (c) By the process involving notice to Unit Holders described in Appendix 2.

8.0 Benchmark asset allocation

Subject to the limitation to "Authorised Investments" described in paragraph 7, there are no limits on the nature or type of investments that may be made, nor are there limits on the proportion of each asset invested in.

9.0 Policies and processes

Borrowing Policy

The Trust Deed provides that no borrowing may be made if the effect is that borrowings outstanding would exceed 50% of the gross value of the Trust Fund.

Interest Rate Hedging Policy

The Trust has an interest rate hedging policy where the objective is to manage its interest rate risk (including its exposure to variable interest rates), within acceptable parameters in support of its investment objectives.

This policy, as varied from time to time and approved by the Board, uses derivative and non-derivative instruments/strategies to manage interest rate risk including, but not limited to, interest rate swaps, caps, collars and/or fixed rate borrowings to achieve its objectives.

Foreign Exchange Policy – translation

The Trust has a Foreign Exchange Policy (translation) where the objective is to manage the foreign currency risk of the Trust's net asset value, within acceptable parameters, associated with owning net assets denominated in a currency other than New Zealand dollars.

This policy, as varied from time to time and approved by the Board, and uses derivative and non-derivative instruments/strategies to manage foreign exchange (translation) risk including, but not limited to, forward exchange contracts, caps, collars and/or natural hedging (financing foreign currency denominated assets with borrowings denominated in the same currency).

Foreign Exchange Policy – transaction

The Trust has a Foreign Exchange Policy (transaction) where the objective is to manage the foreign currency risk to the Trust's earnings, within acceptable parameters, associated with receiving net income from assets denominated in a currency other than New Zealand dollars.

This policy, as varied from time to time and approved by the Board, uses derivative and non-derivative instruments/strategies to manage foreign exchange (transaction) risk including, but not limited to, forward exchange contracts, caps, collars and/or natural

hedging (financing foreign currency income producing assets with borrowings, and therefore interest expense, denominated in the same currency).

Unit Holder Distributions

The Trust targets generating sustainable and growing distributions for Unit Holders, paid on a quarterly basis. Distributions are determined by reference to available funds from operations, representative of the underlying operating performance/net cash generated from operating activities) and its capital requirements, and are focused on optimising Vital's cost of capital within a prudent capital risk management framework.

Capital Expenditure Policy

The Manager works closely with property managers and tenants to assess and monitor the general condition of the property portfolio to ensure ongoing routine repairs and maintenance and capital improvements are undertaken with a high level of workmanship and that each property complies with relevant legislative requirements and/or the obligations of leases with tenants.

Conflicts of Interests and Related Party Transactions

The Manager has adopted policies in relation to conflicts of interest and related party transactions. These policies may be viewed on the Trust's website (www.vhpt.co.nz/governance). The Manager and the Trust are also subject to the provisions of the NZX Listing Rules relating to conflicts of interest and transactions with related parties.

Operational Risk Management Policy

As a licensed managed investment scheme manager, the Manager has compliance procedures and policies in place that ensure compliance with its regulatory and professional obligations, including in relation to operational risk management.

10.0 Investment performance review

Internal performance monitoring

Each financial quarter management will provide a report to the Board of the Manager detailing:

- (a) Financial information and analysis including a statement of comprehensive income and statement of financial position;
- (b) Finance facility compliance information including loan to value ratio (as defined in the Trust Deed and bank facility), interest coverage ratio and other bank facility covenants;
- (c) Portfolio metrics including geographic diversity, tenant diversity, sector diversity, rent collection, occupancy, weighted average lease term to expiry, and percentage of the portfolio under development; and
- (d) Market comparator data including comparative returns and trading volumes.

Benchmarks

Below are the **performance monitoring benchmarks** based on investment objectives set out in paragraph 4 against which the Board of the Manager will monitor Vital's performance:

- (a) The level of total return to Unit Holders (unit price change plus distributions) relative to listed peers, the S&P / NZX All Real Estate Index and any other appropriate indices;
- (b) Weighted average lease term to expiry;
- (c) Property occupancy;
- (e) Distributions and adjusted funds from operations;
- (f) Net tangible assets; and
- (g) Property level income returns noting that over 75% of Vital's leases are linked to the consumer price index.

Reporting to investors

Performance against the investment objectives can be measured by reference to the information contained in the Trust's Annual Report and by other information released on the NZX market announcement platform.

11.0 Investment strategy review

The Board of the Manager will review this SIPO annually (or more frequently if required).

The Manager may propose amendments to the SIPO, after consultation with the Supervisor, in accordance with the Trust Deed and the FMCA. The Manager must give notice to investors if the changes materially affect existing investors. If the change is to the definition of Authorised Investments, paragraph 7 must be complied with.

This SIPO was approved by the Board of the Manager on 6 December 2021.

Appendix 1

Authorised Investments

“**Authorised Investments**” means any of the following:

- (a) Land whether held by the Supervisor alone or in shares with or pursuant to any other arrangement in common with any other person;
- (b) Any share, unit or other interest in any Specified Person;
- (c) Debt securities (as defined in the FMCA);
- (d) Cash; and
- (e) Any futures contract, foreign exchange contract or other arrangement for hedging or reducing any market movement risk or other financial risk.

For this purpose:

“**Land**” means land and real estate of every estate or description and every interest therein or relating thereto and includes without limitation:

- (a) Estates and interests in freehold and leasehold or other tenure;
- (b) Estates and interest in any stratum estate created (in relation to New Zealand pursuant to the Unit Titles Act 2010) or in relation to Australia or elsewhere in the world pursuant to any similar legislation;
- (c) Any purchase agreement, licence, easement, option, joint venture agreement, building contract or other agreement or right of any type attaching to or relating to land, real estate or any interest therein; and
- (d) All buildings, improvements, plant, machinery, fixtures and fittings erected or installed on or relating to land, real estate or any interest therein.

“**Specified Person**” means a company, trust, partnership, joint venture, firm, association or other body of persons (whether incorporated or not) of which all or substantially all the fixed assets are:

- (a) Land; and/or
- (b) Shares and/or other interests in another Specified Person or Specified Persons.

Appendix 2

Change to Authorised Investments

Where the process provided within Appendix 2 applies (under paragraph 7 above):

1. The Manager will give notice to Unit Holders in such form as the Supervisor approves:
 - a) Setting out details of a proposed variation to the definition of Authorised Investments; and
 - b) Stating that if Unit Holders holding 10% or more of the number of Units on issue at the date of the notice give notice to the Manager within 20 Business Days (as defined in the Trust Deed) of the date of the notice that they disapprove of the proposed variation, then the Manager will either not proceed with the variation, or call a meeting of Unit Holders to consider the variation.
2. If no Unit Holders, or Unit Holders holding less than 10% of the number of Units on issue, give notice disapproving the proposed variation, the proposed variation shall be deemed to be approved and the Manager shall amend the definition of Authorised Investments in this SIPO to give effect to the variation proposed in the notice sent to Unit Holders.
3. If Unit Holders holding 10% or more of the number of Units on issue give notice disapproving the proposed variation, then either the Manager will not proceed with the proposed variation, or the Manager will convene a meeting of Unit Holders to consider the proposed variation. If at that meeting the Unit Holders by Special Resolution (as defined in the Trust Deed) approve the variation, the Manager will amend the definition of Authorised Investments in this SIPO to give effect to the proposed variation.