

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, 6 December 2021, 9 November 2023 and 15 March 2024.

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 <https://disclose-register.companiesoffice.govt.nz/>.

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 (<https://www.vitalhealthcareproperty.co.nz/governance/>).

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**), which is a licensed managed investment scheme manager under the Financial Markets Conduct Act 2013 (the **FMC Act**). The Trust is 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 primarily real estate or real estate backed, predominantly leased, or available for lease, to healthcare operators or to tenants who support the healthcare system (including research and education providers) in accordance with this SIPO.

4.0 Investment objectives

Vital is a long-term investor. Over time, Vital seeks to increase its net asset value, the value of units held by Unit Holders and the distributions paid to Unit Holders, on a sustainable basis and with reference to the performance monitoring benchmarks set out in this SIPO.

To achieve these objectives, Vital aims to:

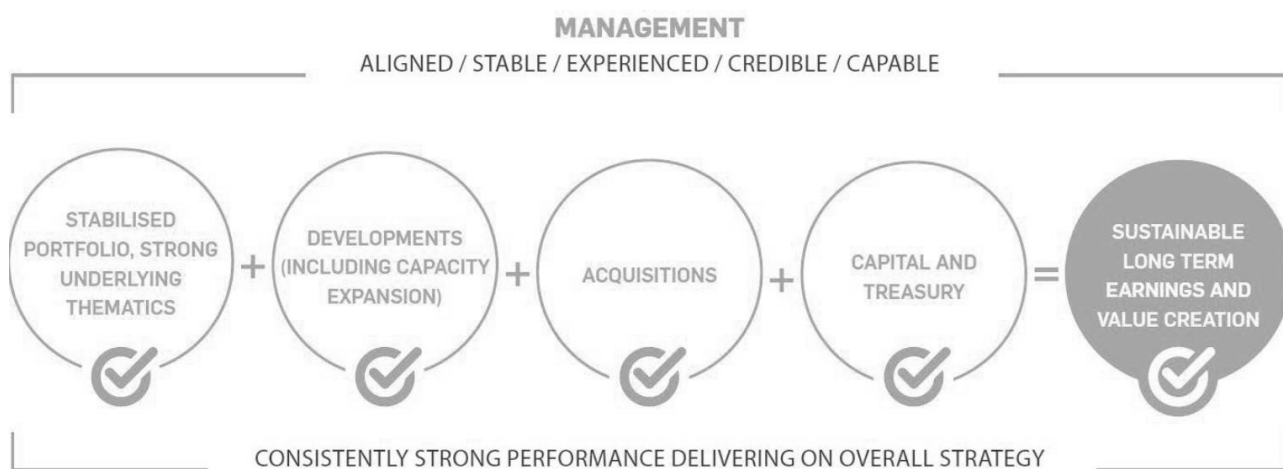
- ▶ own and manage high quality real estate in good locations primarily used by healthcare operators or used for healthcare, life sciences and related purposes;

- ▶ secure and maintain property occupancy with quality tenant(s); and
- ▶ achieve long lease terms where possible,

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

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

5.0 Investment philosophy



Vital is a long-term investor in the healthcare and life sciences real estate sector. This means Vital is focused on investing directly in real property, or in companies, trusts or other vehicles that own, provide exposure to, or manage healthcare and life sciences real estate (whether listed on a recognised stock exchange or unlisted) through financial products, other types of financial instruments or the provision of debt.

Vital may invest at earlier stages of the development process, including undertaking the design, refurbishment or development of real estate for particular health care operators or entities engaged in health related activities. Vital seeks to earn investment income from the real estate it owns and leases (including by providing ancillary activities such as car parking) to health related tenants who operate the facilities.

Vital may also invest in related assets such as social infrastructure (for example, Authorised Investments in real estate used predominantly for education, housing, civic facilities, transport and corrections) or assets which support the healthcare system (for example, Authorised Investments in services or technology which support healthcare operators).

Vital may also acquire or invest in companies, trusts or other entities (listed on a recognised stock exchange or unlisted) that manage real property with healthcare related qualities and/or related asset (as described above).

6.0 Investment strategy

The Manager determines the investment strategy for Vital by:

- ▶ taking into account the investment objectives and investment philosophies in this SIPO;
- ▶ maintaining a clear understanding of the investment market; and
- ▶ monitoring the performance of the Trust against its investment objectives.

Vital's healthcare real estate investment universe can be considered quite wide. Typically, Vital's rent-paying tenants include hospital operators and other health care providers who deliver a range of services including medical research, surgical, primary care, rehabilitation, mental health and residential aged care. Other core tenants may include government organisations (for example, health authorities), universities, pharmaceutical companies, life sciences organisations, technology companies, healthcare warehousing and distribution centres and corporate offices of healthcare related organisations (for example, health insurance providers) or other health sector related entities.

Vital's investment strategy can be summarised as:

- ▶ acquire (following appropriate and comprehensive due diligence), own (either directly or indirectly) and maintain a portfolio of primarily healthcare and life sciences properties;
- ▶ collect rent and other income from properties owned (directly or indirectly) by the Trust;
- ▶ undertake the design, refurbishment or development of healthcare properties where appropriate risk and return criteria have been met, to improve the existing portfolio or create new properties for long-term ownership by the Trust;
- ▶ manage properties (primarily healthcare and life sciences real estate); and
- ▶ receive income in relation to the above or any incidental activities for the benefit of Unit Holders.

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

- ▶ fall within the parameters of Authorised Investments;
- ▶ appropriately reflect the Trust's risk profile; and
- ▶ 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 FMC Act, 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:

- ▶ with the consent of the Supervisor; or
- ▶ with the approval of a Special Resolution (as defined in the Trust Deed) of Unit Holders; or
- ▶ 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 is approved by the Board (as varied from time to time) and 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 is approved by the Board (as varied from time to time) 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 is approved by the Board (as varied from time to time) and 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 (**AFFO**) (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 / monitor the general condition of the property portfolio to ensure that ongoing routine repairs and maintenance and capital improvements are undertaken with a high level of workmanship, as well as to ensure each property complies with the requirements under the leases and at law.

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 FMC Act 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 to 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 gearing ratio, loan to value ratio, interest coverage ratio and other debt facility covenants;
- c. portfolio metrics including geographic diversity, tenant diversity, sector diversity, rent collection, occupancy, weighted average lease term to expiry (**WALE**) 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 as set out in section 4 against which the Board of the Manager will monitor Vital's performance:

- a. the level of total return to Unit Holders relative to listed peers, the S&P/NZX All Real Estate Index and any other appropriate indices;
- b. WALE;
- c. property occupancy;
- d. AFFO; and
- e. net tangible assets (**NTA**).

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 and SIPO review

The Board of the Manager will review this SIPO, including the investment strategy, 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 FMC Act. The Manager must give notice to Unit Holders if the changes materially affect existing Unit Holders. 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 14 February 2024.

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. Land management rights, including the right to provide management services in respect of Land in exchange for a fee;
- c. any share, unit or other interest in any Specified Person;
- d. debt securities (as defined in the FMC Act);
- e. cash; and
- f. 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, fund, partnership, joint venture, firm, association or other body of persons (whether incorporated or not):

- a. of which all or substantially all of the assets are, and/or all or substantially all of the income is derived from:
 - i. Authorised Investments; and/or
 - ii. shares and/or other interests in another Specified Person or Specified Persons under this paragraph (a); or
- b. the principal business of which is:
 - i. providing management services in respect of Land; and/or
 - ii. investing or otherwise holding interests in, or managing or controlling

investments in, other companies, trusts, funds, partnerships, joint ventures, firms, associations or other bodies of persons (whether incorporated or not) the principal business of which is providing management services in respect of Land].

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.