

VITAL HEALTHCARE MANAGEMENT LIMITED

BOARD CHARTER

1. PURPOSE OF CHARTER

- 1.1 Vital Healthcare Management Limited (the “**Company**”) is the manager of the Vital Healthcare Property Trust (the “**Trust**”) and is responsible for the management of the business and assets of the Trust in accordance with the Trust Deed and the Unit Trusts Act 1960 (the “**Act**”). The trustee of the Trust is Trustees Executors Limited (the “**Trustee**”). The Company is required by the Trust Deed to use its best endeavours to ensure that the Trust is carried on in a proper and efficient manner, and by the Act to observe care and diligence in the performance of its duties.
- 1.2 The board of directors (the “**Board**”) of the Company is committed to ensuring that the Company maintains the highest standards of corporate governance and ethics in the performance of its function as the manager of the Trust, in accordance with applicable law.
- 1.3 The Board has therefore developed this Charter, which sets out the role, composition and responsibilities of the Board, and how its powers and responsibilities will be exercised and discharged. The conduct of the Board is also governed by the constitution of the Company and applicable legislation, including the Companies Act 1993.
- 1.4 The public and Stock Exchange listed unit trust model of asset ownership, management, governance and oversight differs from the traditional listed corporate model in a number of respects, including as a result of the role of the Trustee, the duties owed by directors of the unit trust manager to the manager itself as an entity, and the director appointment rights which vest in the shareholder of the manager rather than exclusively with the unitholders of the Trust (the “**Unitholders**”). This Charter recognises these elements.

2. THE ROLE OF THE BOARD

- 2.1 The Board is responsible for the oversight and governance of the Company and its management, and for setting the Company’s strategic direction. The Company itself is responsible for managing the Trust and its assets in accordance with the Trust Deed and the Act. The Company’s functions are conducted through its management and employees, as overseen by, and subject to the direction and control of, the Board.
- 2.2 The Board’s obligations are to the Company. While the Company must comply with the Act and the Companies Act, neither the Act, nor the Companies Act, imposes on the Board additional or separate duties in favour of Unitholders.
- 2.3 Generally the interests of the Manager and its shareholder will align with the interests of Unitholders. Given the Manager has clearly defined contractual and legal obligations under the Trust Deed and the Act, the Board will act so as to ensure the Manager is in a position and sufficiently resourced to fully comply with those obligations.
- 2.4 The Board recognises that there may be circumstances in which the interests of Unitholders and the Company’s shareholder may not be aligned. An example is where the fee entitlements of the Manager or other contractual terms under the Trust Deed are under formal assessment (for instance, incentive fees) or review. In such circumstances, the Board may form a committee comprising the Independent Directors to represent the interests of the Trust or more particularly, of Unitholders. A further example may be where the shareholder of the Manager is considering partnering with

the Trust on a transaction. Absent circumstances of this nature, or matters involving a personal interest or conflict for an individual director, matters which fall to the Board for consideration are able to be considered by the full Board or established committees, such as the audit and risk committee.

2.5 The Board's specific responsibilities include:

- (a) approving the Manager's strategic objectives (including those applicable to the Trust) and ensuring there are adequate resources to achieve those objectives through ongoing monitoring of management performance;
- (b) monitoring the performance of specific Board committees;
- (c) monitoring the performance of the Trustee;
- (d) ensuring compliance by the Manager with all relevant statutes, the NZX Listing Rules and the Trust Deed;
- (e) approving and monitoring financial reporting and capital management, including analysing and reviewing the progress of any major capital expenditure, acquisitions or divestments of the Trust;
- (f) approving the Company's and the Trust's budgets and business plans and monitoring the financial performance of the Company and the Trust;
- (g) appointing and, where appropriate, removing the Chief Executive Officer and Chief Financial Officer, approving other key executive appointments, planning for executive succession, monitoring the performance of the Chief Executive Officer and other senior executives, having regard to the Company's strategic objectives;
- (h) ensuring that effective risk management procedures for the Company and the Trust are in place and are being observed;
- (i) approving all reporting and communication to Unitholders and the market (including via NZX) and ensuring timely, effective and accurate disclosure of information to such stakeholders;
- (j) ensuring that all of the Company's records and documents, and those of the Trust's (including financial reports) are true, correct and conform to required reporting standards; and
- (k) maintaining corporate and Board values to ensure that the Company acts with the highest ethical standards and integrity, in accordance with this Charter, with all legal and regulatory requirements.

3. COMPOSITION

3.1 The constitution of the Company provides for a minimum of three directors and a maximum of seven directors. The shareholder of the Company has the ability to change the constitution and (subject to section 4 below) the right to appoint and remove members of the Board.

3.2 The Board should generally comprise directors:

- (a) with an appropriate range of skills and experience;

- (b) who have a proper understanding of, and competence to deal with, current and emerging issues of the business; and
- (c) who can effectively review and challenge the performance of management and exercise judgment independent of management.

3.3 Directors are expected to attend scheduled Board and committee meetings and to be available for additional meetings as required from time to time.

3.4 The directors may elect the Chairman. The Chairman's role is to manage the Board effectively, to provide leadership to the Board, to be a key interface between the Board and the Chief Executive Officer and between the Board and key stakeholders.

4. INDEPENDENT DIRECTORS

4.1 The NZX Listing Rules require that there is a minimum two Independent Directors on the Board of the Manager, or that not less than one third of the directors are Independent Directors, whichever is greater. Clause 33.9 of the Trust Deed provides that, so long as the shareholder of the Company agrees, Unitholders have the ability to nominate and vote on two Independent Directors to the Board.

4.2 The Board has adopted the definition of Independent Director as set out in the NZX Listing Rules – a director is independent if he or she is not an executive officer of the Company and has no “disqualifying relationship”.

4.3 A director may be an Independent Director under the NZX Listing Rules without being appointed under clause 33.9 of the Trust Deed, but cannot be appointed under clause 33.9 if he or she is not an Independent Director under the NZX Listing Rules. The shareholder of the Company may, therefore, appoint Independent Directors to the Board, in addition to those nominated and voted on by the Unitholders.

4.4 The Board will determine the independence of each director on appointment and at least annually thereafter as required by the NZX Listing Rules. The Board will also review any determination it has made as to a director's independence on becoming aware of any information that may indicate that the director has an interest or relationship which comprises his or her independence.

4.5 Each director must keep the Board advised of any interests he or she could have that could affect their independence, including any interests that could conflict with the interests of the Unitholders – i.e. where the director, or an associated person such as relative or entity in which the director has an interest, has a personal interest in a proposal involving the Company.

4.6 The Board considers that the fact that all directors are able to be appointed and removed by the Company's shareholder, as a consequence of the unique nature of a unit trust structure, does not alone give rise to a “disqualifying relationship” when determining a director's independence. The Board must take into account all of the relevant factors in the overall circumstances in the assessment of a director's independence.

4.7 The Board will advise the NZX as to the independence of each director who is appointed, and any director who the Board considers has ceased to be independent, as required by the NZX Listing Rules (as modified by a waiver granted by NZX to the Company dated 7 November 2007).

5. DIRECTORS' DUTIES

5.1 The directors must comply with their duties as set out in the Companies Act 1993, including the duty to act in good faith and in what the director believes to be the best interests of the Company. The directors are also expected to comply with all other legal duties and obligations.

5.2 Further, the directors:

- (a) have a duty to conduct themselves in an honest, ethical and responsible manner;
- (b) should be diligent, attend Board meetings and devote sufficient time and give proper attention to the matters before them;
- (c) keep themselves familiar with the nature of the Company's activities and the environments in which it operates (and undertake appropriate training, if necessary);
- (d) act in such a way that Board meetings and discussions promote focussed debate within a supportive team atmosphere; and
- (e) report any illegal or unethical behaviour of which they become aware to the Chairman.

6. CONFLICTS OF INTEREST

6.1 Conflicts of interest can arise where:

- (a) there is a conflict between the director's private or associated business interests and the interests of the Company; or
- (b) there is a conflict between the interests of the Company and the interests of the Trust and the Unitholders.

6.2 In respect of conflicts of the nature referred to in paragraph 6.1(a), directors must:

- (a) disclose all relationships they have with the Company, the Trust and relevant private or associated business interests to the Board in order that the Board may assess potential conflicts of interest and independence for the purposes of the NZX Listing Rules;
- (b) disclose to the Board any actual or potential conflicts of interest which may exist or be thought to exist as soon as they become aware of them;
- (c) take any necessary and reasonable measures to try to resolve the conflict; and
- (d) comply with all relevant legal and regulatory provisions regarding disclosure of interests and restrictions on voting.

6.3 In respect of conflicts of the nature referred to in paragraph 6.1(b):

- (a) each director must disclose to the Board all relevant relationships they have with the Company and any associated or related persons of the Company, and all unit holdings in the Trust they hold and any relevant relationships they have with any Unitholders;

- (b) the Board will make an assessment to determine if any of the directors have an actual or potential conflict of interest relative to the interests of the company as against the interests of the trust and the unitholders (the “**Conflicted Directors**”);
- (c) the directors who are not Conflicted Directors (the “**Non-Conflicted Directors**”) will comprise a separate Board committee between them, whose role is to deal with the matters where actual conflicts have arisen or are likely to arise;
- (d) the Conflicted Directors will be entitled to provide their views to the non-conflicted directors but will otherwise be absent from any meetings (or any part thereof) where there are discussions or decisions involving the matters of conflict or potential conflict and will not vote on any such matters. This applies unless the Non-Conflicted Directors are satisfied that the interests of any particular Conflicted Director should not disqualify that director from being present;
- (e) notwithstanding (a) to (d) above, the Conflicted Directors will continue to have access to all relevant information relating to the Company, to the extent such access is consistent with, and necessary to, their duties as directors; and
- (f) the Board may from time to time determine other procedures for dealing with conflicts on a case by case basis.

Where there is a conflict of the nature referred to in paragraph 6.1(b), the Non-Conflicted Directors may act in a manner which they believe to be the best interests of the Unitholders (other than any Unitholder who may also be a shareholder of the Company), even though that may not be in the best interests of the Company.

7. BOARD COMMITTEES

- 7.1 The Board may discharge any of its responsibilities through committees of the Board. The Board has established an audit and risk committee with specific functions and responsibilities.
- 7.2 The audit and risk committee operates under a charter agreed by the Board which sets out its role, responsibilities, authority, relationship with the Board, reporting requirements, composition, structure and membership.
- 7.3 The Board may also from time to time establish ad hoc committees to consider specific proposals.

8. THE BOARD AND MANAGEMENT

- 8.1 The Board delegates to the Chief Executive Officer responsibility for the day-to-day management and administration of the Company. It is acknowledged by the Board that the Chief Executive Officer will, in turn, delegate some of those powers of management and administration to members of the management team. The Board is responsible for monitoring those delegations.
- 8.2 The Chief Executive Officer is responsible to the Board for the management and performance of the Company and the Trust and, in conjunction with the Board, for the development of strategy. The Chief Executive Officer is expected to manage the Company and the Trust in accordance with the strategies and plans approved by the Board.
- 8.3 The Chief Executive Officer will bring to the attention of the Board any issues which fall within the Board’s responsibilities or which the Chief Executive Officer considers requires the attention of the Board.

9. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

9.1 Directors may from time to time access information from, and rely on the advice of, professional advisers and independent experts, provided that the directors:

- (a) individually or collectively consider the seeking of the information or advice is necessary to properly carry out their duties and functions as directors; and
- (b) have acted in good faith and have made proper inquiry where the need for inquiry is indicated by the circumstances.

9.2 Information and advice sought from advisers and experts will be:

- (a) at the expense of the Trust, where the Company is entitled to reimbursement of such expense under the Trust Deed; and
- (b) in all other circumstances, at the expense of the Company,

provided the matter has previously been approved by the Chairman.

10. ACCOUNTABILITY

10.1 The Board will review this Charter annually to ensure it remains consistent with the Board's objectives and responsibilities.

10.2 The Chairman will meet regularly with the directors to discuss the individual performance of directors. The Board will review its performance as a whole on an annual basis.

11. INSURANCE AND INDEMNITIES

11.1 Subject to the constitution of the Company, the Company will indemnify its directors, and effect directors' and officers' liability and statutory liability insurance for its directors and officers, to the maximum extent permitted by law.

11.2 The Company will pay all premiums for directors' and officers' liability and statutory liability insurance effected for its directors and officers, unless such premiums are payable directly by the Trustee out of the trust fund.

12. REMUNERATION

12.1 Directors' fees will be set with reference to market remuneration for directors, at a level which is fair and reasonable and which is able to attract and retain highly skilled directors.

12.2 Directors' fees for all Directors will be paid by the Company, unless such fees are payable directly by the Trustee out of the trust fund in respect of some or all of the Directors.

12.3 Subject to the Trust Deed, the NZSX Listing Rules and any unit holder approval that may be required, directors' fees for Independent Directors will be paid out of the assets of the Trust.