

Management Engagement Committee report



Introduction

We have set up a Management Engagement Committee with a membership comprised of all the independent directors of the Company: Rosemary Boot, David Brooks, Philip Hall and me, Rupert Barclay (Chair).

The Management Engagement Committee will meet as and when required but formally at least once a year. For the period under review, we have not reviewed the performance of the key service providers nor yet held a meeting of the Management Engagement Committee because the Company has not completed a full annual cycle.

JTC (UK) Limited will attend our meetings as Secretary to the committee. In addition, we will invite representatives of the Investment Adviser, the Investment Manager and our external auditor to attend as required.

Role

The committee has several functions, the most important of which are:

- To review annually the compliance by the Investment Adviser with the Company's investment policy, as established by the board, when sourcing potential investment opportunities and with the investment advisory agreement entered into between the Company and the Investment Adviser.
- To review annually the compliance by the Investment Adviser with the Company's investment policy, as established by the board, and with the investment management agreement entered into between the Company and the Investment Adviser.
- To review annually the performance of any other key service providers to the Company.

The full Terms of Reference of the Management Engagement Committee are available on our website at:
<http://www.impactreit.uk/documents>

Investment Adviser

The Company has appointed Impact Health Partners LLP as Investment Adviser. Under the terms of the Investment Advisory Agreement, the Investment Adviser provides certain advisory services to the Group including:

- ongoing monitoring of the Portfolio and asset management; and
- sourcing potential opportunities in which the Company may invest.

Accordingly, under the terms of the Investment Advisory Agreement, the Investment Adviser is entitled to an advisory fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties.

The advisory fee is 1% per annum (plus VAT) of the Company's Net Asset Value up to £500 million and 0.70% per annum (plus VAT) thereafter, payable quarterly.

In addition, the Investment Advisory Agreement imposes certain restrictions on the Investment Adviser and the Associates from acquiring, developing, leasing or operating competing businesses, and:

- (a) grants the Group a right of pre-emption in respect of any investment opportunities within the Company's investment policy of which the Investment Adviser or its associates become aware;
- (b) grants the Company the right to terminate the agreement upon the failure of any tenant, in which any principal of the Investment Adviser (from time to time) has a beneficial interest, to pay rent or any other sums due in excess of £50,000 under the leases or upon the winding up or liquidation of any tenant, in which any principal of the Investment Adviser or any of the Associates (from time to time) has a beneficial interest;
- (c) grants the Company the right to terminate the agreement if the Financial Report provided to the Company by Minster Care Group Limited shows that its rent cover is less than 1.1 times in two consecutive financial reports or in any two financial reports in any 12 month period;
- (d) grants the Company the right to seek advice from a third party property adviser in circumstances where the Investment Adviser is conflicted; and
- (e) prohibits the Investment Adviser from taking any decision, or making any recommendation to the board or the Investment Manager relating to decisions on enforcement of the Group's

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rights on certain covenant breaches by a tenant, in which any principal of the Investment Adviser or any of the Associates (from time to time) has a beneficial interest.

The Investment Advisory Agreement may be terminated by either party on 12 months' notice, such notice not to be served before the fourth anniversary of IPO, and may be immediately terminated by either party in certain circumstances such as a material breach which is not remedied.

Investment Manager

In accordance with the terms of the Investment Management Agreement and the AIFM Directive, the Company is required to appoint an AFIM. The Company's Investment Manager is Carne Global AIFM Solutions (C.I.) Limited. The Investment Manager is authorised and regulated by the Jersey Financial Services Commission.

The Investment Manager has been appointed as a non-EU AIFM to the Company, to provide portfolio and risk management services. In this role it provides the customary services of discretionary investment management. Under the terms of the Investment Management Agreement, the Investment Manager's performance will, at all times, be subject to the supervision of the board.

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to an annual management fee of £95,000 together with reimbursement of all costs and expenses properly incurred by it in the performance of its duties.

The Investment Management Agreement may be terminated by either party on six months' notice, and may be immediately terminated by either party in certain circumstances such as a material breach which is not remedied.

Administrator and Company Secretary

The Company has appointed JTC (UK) Limited ("JTC") as Administrator and Company Secretary.

Under the terms of the Administration and Company Secretarial Services Agreement, JTC as Administrator is entitled to:

- (i) a set-up fee on a time cost basis capped at £10,000 in relation to the IPO and £4,000 per new entity incorporated;
- (ii) an annual fee in respect of the valuation and accounting services it will provide of £50,000; and
- (iii) a fee equal to 0.05% of NAV to the extent that such NAV exceeds £200 million.

As Company Secretary, JTC is also entitled to receive an annual fee of £50,000.

The Administration and Company Secretarial Services Agreement is in force and can be terminated by either party, either (i) in accordance with the agreement (e.g. in the case of a material breach of agreement or of the insolvency of a party, whereby the agreement may be terminated immediately upon notice), or (ii) provided written notice is given to the other party at least three months prior to termination.

Rupert Barclay Committee Chair
21 March 2018

Relations with shareholders

The primary objectives of our investor relations activities are to:

- Broaden and deepen understanding of the business, the expertise of portfolio management and growth opportunities.
- Increase awareness of the Company's investment case.
- Better define our market and differentiate us from our peers.
- Strengthen the relationships of the Company with the investment community.
- Achieve a strong, supportive shareholder base with on-going investment appetite.
- Ensure the board has a clear and sound understanding of the market's view of Impact Healthcare REIT.

We are committed to fostering and maintaining strong relationships with the Company's shareholders and recognise the importance of good communications. In 2017 the board continued to expand the Company's communications policy with current and future shareholders.

Mahesh Patel, Andrew Cowley and David Yaldron, from our Investment Advisers, are the Company's principal spokesmen with the Company's shareholders, the press, analysts, investors, debt finance providers and other stakeholders. Rupert Barclay, our Chairman, is also available to speak to any shareholders to discuss any matters relating to the Company. Since the year end the board has also appointed David Brooks as senior independent director and he is available to speak to shareholders.

The Investment Adviser provides the board with regular Investor Relations updates, which include major press coverage, analyst reports and shareholder feedback. In addition, Paul Craig sits on the board and brings an institutional investor's viewpoint as he represents the largest shareholder of the Company.

During the year, the Investment Adviser, working together with the Company's corporate broker and communications adviser, met with institutional investors, analysts and the financial press to update them on the Company's progress since its IPO. The Investment Adviser met again with institutional investors during the roadshow for the secondary issue of new shares in November 2017. The Adviser reports at each board meeting on investor relations and provides feedback on meetings with major shareholders and analysts. The board meets periodically, on a formal and informal basis, with the Company's corporate broker and other professional advisers in order to better understand the views of major shareholders on the Company.

AGM

Shareholders are encouraged to attend and vote at the Company's general meetings so they can discuss governance and strategy with the board and the Manager. This enables the board to better understand shareholders' views. The full board usually attends the Annual General Meeting and the directors make themselves available to answer shareholder questions at all the general meetings of the Company.

The Chairman can be contacted by emailing the Company at Impact.CoSec@jtcgroup.com

Public communications

The Company ensures that any price sensitive information is released to all shareholders at the same time and in accordance with regulatory requirements. All public information and Company announcements released through the London Stock Exchange are made available on the Company's website at <http://www.impactreit.uk>.