



## **GUIDELINES ON GOVERNANCE**

**Adopted as Amended March 22, 2016,  
Effective as of March 22, 2016**

The Board of Directors (the “Board”) of Ventas, Inc. (the “Company”) has adopted the following guidelines to reflect principles by which the Company operates. The Board believes that its objectives will be best served by following the fundamental corporate governance principles described in this document and the charters of its various Committees. Collectively, these principles demonstrate the Board’s accountability and its desire that the Company achieve superior business results. These guidelines are not intended to change or interpret any law or regulation or the Certificate of Incorporation or By-Laws of the Company.

### **A. STRUCTURE OF THE BOARD**

#### **1. Role of Board**

The Directors are elected to provide guidance and strategic oversight to Company management and to review and regularly monitor the effectiveness of the Company’s financial and business plans, policies and decisions, including the execution of its strategies and objectives. Having selected the senior management team, the Board acts as an advisor and counselor to senior management and oversees its performance. The Board is responsible, among other things, for:

- overseeing the implementation of guidelines, policies and procedures that are designed to ensure legal and ethical conduct of the Company’s business activities, strong internal controls and fiscal accountability;
- overseeing and evaluating management of the Company’s business;
- overseeing the Company’s strategy, including major financial objectives, plans and actions;
- overseeing the processes established by management to assess, monitor and mitigate the major risk factors facing the Company;
- nominating, compensating and evaluating Directors;
- selecting, compensating, evaluating and, when necessary, replacing the Chief Executive Officer and other senior executives and overseeing compensation policies generally applicable to employees of the Company;
- making provision for a succession plan for the Chief Executive Officer and other senior executives; and
- evaluating the Board’s and its Committees’ structure, processes and performance.

## 2. Board Qualifications

The Board should be composed of successful individuals who have an ability to work well together. As a group, the Directors should reflect a diversity of experience, knowledge, and point of view without representing any particular interest group or constituency.

The Board should include individuals who:

- Have demonstrated management or technical ability at high levels in successful organizations;
- Are currently employed in positions of significant responsibility and decision making;
- Have experience relevant to the Company's operations, such as real estate, real estate investment trusts, healthcare, finance or general management;
- Are well-respected in their business and home communities;
- Have time to devote to Board duties; and
- Are "independent," as defined herein, and are not related to other Directors or employees of the Company.

The Company seeks Directors with the following qualifications:

- Integrity;
- Independence;
- Leadership ability, and a proven record of accomplishment;
- Personal commitment of time and effort;
- Expertise in business, professional, academic, political or community affairs;
- Willingness and ability to evaluate, challenge and stimulate; and
- Candor.

The Company expects Directors to be active participants in governing the enterprise. As a general rule, no officer, employee or agent of the Company, other than the Chief Executive Officer, should serve as a Director; however, exceptions to this rule may be made in connection with a merger or acquisition involving another company or entity. With the exception of the Chief Executive Officer, the Board should generally consist of outside Directors who are not and have not been a part of Company management and who are successful and recognized leaders in their business, field or profession.

The Nominating and Corporate Governance Committee is responsible for periodically assessing the appropriate skills and expertise required of the Board in order to successfully carry out its responsibilities. Such assessment should address issues of diversity, age, business experience and expertise relative to the perceived needs of the Board at that time.

### 3. **Nomination of Directors**

The Nominating and Corporate Governance Committee nominates candidates for open Director positions.

#### (a) Annual Nomination of Directors

Annually, before the distribution of the proxy statement for the Company's annual meeting of stockholders, the Nominating and Corporate Governance Committee shall meet to consider and recommend to the Board a slate of Directors for election at the annual meeting. The Company's annual slate of Directors shall be selected by the Nominating and Corporate Governance Committee from the following:

- (i) incumbent members of the Board who have indicated a willingness to continue to serve on the Board;
- (ii) candidates, if any, nominated by the Company's stockholders in accordance with the Company's organizational documents or otherwise in accordance with the rules of the New York Stock Exchange (NYSE), the Securities and Exchange Commission (SEC) or other applicable laws or rules, as the same may be in effect from time to time; and
- (iii) other individuals as determined by the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee shall evaluate each Director candidate considering, among other things, the factors contained in **Exhibit A** and the Board qualifications set forth above; provided that no single factor or group of factors shall be dispositive for a candidate. The slate of Directors recommended by the Committee shall be submitted to the Board for approval at the next regularly scheduled Board meeting.

#### (b) Recommendation of Candidates for Vacant and Newly Created Board Seats

If at any time during the year an existing Board seat shall become vacant or a new Board seat shall be created, the Nominating and Corporate Governance Committee shall recommend a candidate to the Board for appointment to fill the vacant or newly created Board seat.

The Nominating and Corporate Governance Committee shall evaluate each Director candidate considering, among other things, the factors contained in **Exhibit A** and the Board qualifications set forth above; provided that no single factor or group of factors shall be dispositive for a candidate.

### 4. **Size of the Board**

The Board should determine, with the assistance of the Nominating and Corporate Governance Committee, the appropriate Board size, taking into consideration the parameters set forth in the Company's By-Laws, as well as any applicable contractual obligations of the Company. In general, the Board should be small enough to be efficient and not unwieldy, yet large enough to maintain appropriate expertise and independence and fulfill the

responsibilities of the Board and its Committees. The size of the Board should facilitate substantive discussions in which each Director can participate meaningfully, while allowing for a diversity of perspective and background.

The Company's By-Laws currently provide that the exact number of Directors shall be fixed from time to time by the Board in accordance therewith, but in any event there shall be no less than three (3) and no more than thirteen (13) Directors. If appropriate, the Board should recommend amendments to the Company's By-Laws to provide for a different Board size than is currently set forth therein.

## **5. Independent Directors**

At all times at least a majority of the Board will be comprised of Directors who meet the standards for independence, as determined in accordance with the rules and regulations of the NYSE, all applicable securities laws and regulations and case law, and any other criteria established by the Board, as the same may be in effect from time to time. It is the objective of the Board that all non-management Directors be independent Directors. Each Director's independence will be reviewed annually by the Nominating and Corporate Governance Committee and the Board.

## **6. Service on Other Boards and Other Audit Committees**

The Board recognizes that the time commitment required to be an effective board member at a public company has increased in recent years. The Board believes it is important that its members have the capacity to fulfill all duties to the Company's stockholders, including responding to unforeseen events when they happen, without compromising their other professional and boardroom commitments. Therefore, as of the effective date of these Guidelines,

directors shall not simultaneously serve on more than four "public company" boards other than the Company's Board and shall not simultaneously serve on more than two "public company" audit committees other than the Company's Audit and Compliance Committee. The latter limitation shall exclude any public company audit committee on which a director serves on the effective date of these Guidelines.

In addition, directors shall advise the Chair of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on any "outside board," as defined below. A Director's service on outside boards that unduly interferes with the performance of his or her duties and responsibilities as a member of the Board could create an expectation that the Director should resign from the Board in accordance with these Guidelines.

"Public company" shall mean a company which (i) has a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (i.e. generally companies having securities listed on a national securities exchange and other companies whose securities are not so listed but which have at least 500 shareholders) and (ii) is subject to the reporting obligations of the Securities Exchange Act of 1934.

"Outside board" shall include (i) any public company board and (ii) any corporate, charitable, civic, religious, political or social board, the service on which would, in the reasonable judgment of a Director, impose a significant time commitment on such Director. "Outside

board” shall specifically exclude the Board and the board of a company for which such Director is also a member of that company’s senior management.

## **7. Term Limits**

The Board does not believe it should establish term limits. While term limits could help provide fresh ideas and viewpoints to the Board, they hold the disadvantage of forcing the resignation of Directors who have been able to develop increased insight into the Company and its operations over a period of time and who, therefore, provide a greater contribution to the Board as a whole.

## **8. Retirement Policy**

All non-management Directors must retire from the Board no later than the earlier of (i) the date that is two years after he or she ceases to be active in a trade or business or (ii) the date of the Company’s annual meeting of stockholders following his or her 75<sup>th</sup> birthday. An exception to this policy can be made upon the recommendation of the Nominating and Corporate Governance Committee and approval of the Board.

The Chief Executive Officer must tender his or her resignation from the Board immediately upon his or her retirement from the Company or termination of employment for any reason other than retirement. The tender of resignation shall be referred to the Nominating and Corporate Governance Committee, which will consider the resignation and recommend to the Board whether it should be accepted or rejected. Any other employee of the Company who is a Director must tender his or her resignation from the Board immediately upon his or her retirement from the Company or termination of employment for any reason other than retirement; however, exceptions may be made in connection with a merger or acquisition involving another company or entity.

## **9. Resignation and Removal Policies**

Directors may leave the Board by resignation or removal. A Director may submit his or her resignation at any time. In addition, a Director is expected to tender his or her resignation from the Board (and such tender shall be referred to the Nominating and Corporate Governance Committee, which will consider the resignation and recommend to the Board whether it should be accepted or rejected) if the Director:

- Is no longer able to perform his or her Board duties due to ill health;
- Has committed or is accused of wrongdoing of such a nature that his or her continued service would be harmful to the reputation of the Company;
- Has failed to perform his or her responsibilities with the necessary diligence and attention;
- Has a permanent conflict of interest;
- Has breached his or her fiduciary responsibilities owed to the Company or any other company;

- Changes his or her employment or has a material adverse change in his or her professional responsibilities or position;
- Campaigns for election or is elected or appointed to a significant public office;
- Violates any Company policy or Board procedure; or
- Has insufficient time to perform his or her duties and responsibilities as a Board member.

The Board is responsible for disciplining its members. The Chairman or any Director should refer reports or complaints of a Director's performance to the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will investigate and recommend appropriate action regarding all such referrals.

In accordance with the terms of the Company's By-Laws, a Director may be removed at any time, with or without cause by the affirmative vote of the holders of record of a majority of the outstanding shares of the Company's Common Stock entitled to vote in the election of Directors.

#### **10. Minimum Ownership Guidelines for Non-Employee Directors**

Each non-employee Director is required to maintain ownership of a number of shares of the Company's Common Stock which, as of each July 1 (or such other date as may be determined by the Nominating and Governance Committee), has a Test Date Value (as defined below) of not less than five (5) times the then-current Annual Cash Retainer (as defined below).

For purposes of these guidelines, Common Stock shall include all shares of the Company's common stock, \$0.25 par value, reported as beneficially owned (as defined in Rule 16a-1 promulgated under the Exchange Act) by the Director and any other Company security designated by the Nominating and Governance Committee as "Common Stock" and shall specifically include all shares of common stock and stock units granted to the Director by the Company (whether vested or unvested) but shall specifically exclude (a) stock options (whether vested or unvested), (b) shares of common stock that are subject to floors, collars, or other hedging transactions, and (c) shares of common stock held in a trust or owned by a foundation or other entity but only if such shares are not reported as beneficially owned (as defined in Rule 16a-1 promulgated under the Exchange Act) by the Director.

"Test Date Value" shall mean, (i) with respect to common stock or stock units granted to the Director by the Company, the higher of (x) the average per-share closing price of the Company's common stock as reported by the NYSE for each trading day in the 365-day period ending on the date immediately preceding the date of computation (the "Average Closing Price") and (y) the closing price of the Company's common stock as reported by the NYSE on the date of grant, and (ii) with respect to all other common stock or stock units, the Average Closing Price.

"Annual Cash Retainer" shall mean the annual cash retainer fee paid to non-employee Directors without regard to (a) fees for service as a presiding or lead director, (b) fees for service as a committee member or chair, (c) meeting fees and/or (d) fees for any other activity undertaken as a Director on behalf of the Company which is not in the ordinary course of business. As of October 31, 2011, the Annual Cash Retainer is \$75,000.

Each non-employee Director shall have five (5) years from the date that such Director first becomes subject to the minimum ownership guidelines to satisfy the guidelines. Current Directors are expected to be in compliance with the minimum ownership guidelines within five (5) years of the date of adoption of the guidelines (December 5, 2016). Once achieved, compliance with the guidelines is expected for so long as the Director is subject to the guidelines. Upon any increase in the Annual Cash Retainer, each non-employee Director will have five (5) years from the date of such increase to satisfy the guidelines with respect to the incremental portion of the Annual Cash Retainer. If a non-employee Director satisfies the minimum ownership guidelines at any time during the five (5) year transition period, then such Director will be considered to remain in compliance for as long as he or she continues to own not less than the number of shares of Common Stock that were originally sufficient for such Director to meet the guidelines.

During the five (5) year transition period or until such non-employee Director satisfies the minimum ownership guidelines, the Director must retain one-hundred percent (100%) of the shares of the Company's common stock or stock units granted to the Director by the Company as compensation less any shares forfeited by the Director under the Company's share withholding program to pay taxes upon the vesting of such shares.

The Nominating and Governance Committee may determine such conditions and exceptions to the minimum ownership guidelines as it deems appropriate and market competitive, on a case-by-case basis.

Any non-employee Director who fails to satisfy the minimum ownership guidelines shall be subject to such action as deemed appropriate by the Nominating and Governance Committee. Notwithstanding anything contained in the minimum ownership guidelines, any purchase of shares of the Company's Common Stock that may be required under the guidelines shall be made in compliance with the Company's Amended and Restated Securities Trading Policy and Procedures.

From time to time, the Nominating and Governance Committee shall review the minimum ownership guidelines and recommend to the Board such revisions as it deems appropriate and necessary.

## **B. BOARD COMMITTEES**

### **1. Standing Committees**

The Board has established the following standing Committees to assist it in discharging its responsibilities: (i) Audit and Compliance; (ii) Executive Compensation; (iii) Nominating and Corporate Governance; (iv) Investment; and (v) Executive. Other Committees may be created and dissolved by the Board from time to time in accordance with the Company's By-Laws. Directors may attend and participate in discussions of a Board Committee for which they are not members upon invitation of the Chair of that Committee, except that all independent Directors are invited to attend and receive notice of and the materials for all meetings of the Audit and Compliance Committee. In any case, formal Committee action is taken only through the vote of appointed Committee members. Each Committee shall maintain a written charter approved by the Board, and the current charters for the Audit and Compliance, Executive Compensation and Nominating and Corporate Governance Committees will be published on the Company's website and will be mailed to shareholders on written request.

## **2. Committee Composition**

The Audit and Compliance, Executive Compensation and Nominating and Corporate Governance Committees shall be composed solely of independent Directors. In addition, members of the Audit and Compliance Committee must satisfy certain experience requirements and additional independence requirements under the rules and regulations of the NYSE, the SEC and the Sarbanes-Oxley Act of 2002, and members of the Executive Compensation Committee must satisfy certain additional independence requirements under the rules and regulations of the NYSE and the SEC. Specifically, and without limitation of the foregoing, Audit and Compliance Committee members may not receive any compensation from the Company other than Director fees. In annually recommending members for the Executive Compensation Committee, the Nominating and Corporate Governance Committee shall also consider whether a Director meets the definitions of (a) a “non-employee director” within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and (b) an “outside director” within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. The Nominating and Corporate Governance Committee may, but is not required to, consider whether Directors meet the definition of “Independent Outside Director,” as specified by Institutional Shareholder Services (ISS), in recommending members for the Audit and Compliance, Executive Compensation and Nominating and Corporate Governance Committees.

Each Committee Chair, in consultation with the appropriate members of the Committee and Company management, will develop the agenda for, and will determine the frequency and length of, the Committee’s meetings.

## **3. Committee Rotation**

The Nominating and Corporate Governance Committee shall annually review Committee assignments and shall consider the rotation of the Committee Chairs and the members of the Committees with a view toward balancing the benefits derived from continuity against the benefits derived from diversity of experience and the viewpoints of each Committee’s members.

## **4. Minutes and Reports**

Minutes of each Committee meeting or action will be kept. Each Committee will report regularly to the Board on substantive matters considered by the Committee.

## **5. Self-Evaluation**

Each Committee, with the oversight of the Nominating and Corporate Governance Committee, will conduct an annual self-evaluation. The purpose of such evaluation is to increase the effectiveness of the Committee, not to focus on the performance of individual Committee members. The Nominating and Corporate Governance Committee shall be responsible for monitoring the processes and evaluation criteria established by each Committee. The results of such evaluations will be reported to the full Board.



## **C. BOARD PROCEDURAL MATTERS**

### **1. Selection of Chairman**

The Chairman of the Board shall be selected annually by the affirmative vote of a majority of the non-employee Directors. The non-employee Directors shall select the Chairman at the first Board meeting following the election of Directors at the Company's annual meeting of stockholders.

The Board should have flexibility to decide whether it is best for the Company at a given point in time for the roles of the Chief Executive Officer and Chairman of the Board to be separate or combined and, if separate, whether the Chairman should be selected from the non-employee Directors or be an employee.

### **2. Presiding Director**

The Board shall have a Presiding Director elected by a majority of the independent Directors. The Presiding Director shall be an independent Director.

Upon election, a Presiding Director shall serve until the Company's next annual meeting of stockholders and until his or her successor has been elected or until his or her earlier resignation, removal from office or death.

The Presiding Director presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent Directors and all other meetings of the independent Directors. The Presiding Director also serves as liaison between the Chairman and the independent Directors, approves information sent to the Board and approves meeting agendas for the Board and meeting schedules to assure that there is sufficient time for discussion of all agenda items. The Presiding Director has authority to call meetings of the independent Directors and, if requested by major shareholders of the Company, ensures that he or she is available for consultation and direct communication. The Presiding Director shall have such additional duties as may be assigned from time to time by the Board and/or the independent Directors.

### **3. General Standards of Conduct for Directors**

In addition to complying with all standards imposed by applicable law, each Director shall discharge his or her duties as a member of the Board, including his or her duties as a member of a Board Committee, in conformity with all of the following: (i) in good faith; (ii) with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and (iii) in a manner the Director reasonably believes to be in the best interests of the Company.

In performing his or her duties, a Director will be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented by any of the following: (i) one or more officers or employees of the Company; (ii) a Board Committee; or (iii) any other person as to matters the Director reasonably believes are within the person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company.

A Director is not acting in good faith if he or she has knowledge concerning the matter in question that makes reliance otherwise permitted by the preceding paragraph unwarranted.

## **D. CONDUCT OF BOARD MEETINGS**

### **1. Board Meeting Schedule**

The Board shall have at least four regularly scheduled meetings each year. Additional Board meetings may be called at any time upon appropriate notice in accordance with the Company's By-Laws to address specific needs of the business. The Board will review the Company's long-term strategic plan not less frequently than once during each two-year period. The Chief Executive Officer and Corporate Secretary shall attend all non-executive sessions of the Board, and other members of management may attend non-executive sessions of the Board at the invitation of the Chairman, the Chief Executive Officer or the Board.

### **2. Executive Sessions of Independent Directors**

The independent Directors will meet in executive session outside the presence of management at each regularly scheduled quarterly Board meeting and at such other times as the Presiding Director shall determine. Executive sessions of the independent Directors shall be chaired by the Presiding Director. If requested by the Presiding Director, the format of these meetings will include a discussion with the Chief Executive Officer.

### **3. Advance Distribution of Meeting Materials**

The Chairman of the Board, subject to approval by the Presiding Director, shall establish the agenda for each Board meeting. Each Director may suggest the inclusion of items on the agenda, provided that any such suggestion shall be submitted to the Chairman of the Board at least ten (10) days prior to the applicable meeting date. Directors shall be provided with sufficient information in advance of a Board meeting in order to properly prepare for the meeting. In the case of regularly scheduled quarterly Board meetings and all other Board meetings where practical, approximately one week before such meeting, the agenda, materials for the meeting and the minutes of the most recent prior meetings will be distributed to each Director. For all other meetings, materials will be distributed to each Director as circumstances and time permit.

The agenda, materials for the meeting and other appropriate information will be distributed to each Committee member approximately one week before regularly scheduled Committee meetings and all other Committee meetings where practical. Committee members will receive additional information on a periodic basis.

Directors will receive information regarding the Company's progress at Board meetings. This information shall generally include:

- Periodic reports filed with the SEC;
- Quarterly and annual financial statements for the Company;
- Financial and operational reports for the Company's material tenants, operators, managers and borrowers;

- Basic comparative reports, such as operating results, comparisons with forecasts, and key indicators of the Company's performance;
- Long-range plans, which include performance objectives or principal strategies;
- Human resources matters;
- Marketing, investment plans and acquisitions;
- Healthcare regulatory developments;
- Corporate risk management matters;
- Litigation matters;
- Tax and REIT compliance matters;
- Dividend materials; and
- Annual reports to shareholders and proxy statements.

#### **4. Attendance at Meetings**

Directors shall use their best efforts to attend all Board meetings and all applicable Committee meetings. For a Director's convenience, attendance at a Board or Committee meeting may be by teleconference when it is impractical for the Director to attend in person or when the meeting is scheduled to occur via telecommunication. If a Director fails to attend at least seventy-five percent (75%) of the Board meetings or the meetings of any Committee on which that Director serves in any year, the General Counsel shall refer the matter to the Nominating and Corporate Governance Committee for review and a determination of whether any action should be taken.

Delaware law permits regular or special meetings of the Board and Board Committees to be held even though not all Directors are physically present at the place of a meeting. Under this law, so long as all Directors may speak and hear each other, one or more or all of the Directors may be physically separated.

### **E. ORIENTATION OF NEW DIRECTORS AND CONTINUING EDUCATION**

#### **1. Orientation of New Directors**

An orientation process is mandated for all new Directors. The Nominating and Corporate Governance Committee, in conjunction with management, will coordinate the orientation process, which will include comprehensive background briefings and presentations by senior management to familiarize new Directors with the Company's strategic plans, significant financial, accounting and risk management matters, compliance programs, corporate governance practices, key policies, principal officers, internal and independent auditors and other key service providers. All other Directors are also invited to attend the orientation program.

## **2. Director Education**

Directors are expected to remain well informed about issues currently affecting the Company, the healthcare industry, the real estate investment trust industry, matters of corporate governance, and the economy as a whole. The Board believes that Directors' participation in educational programs, seminars and conferences provides an opportunity for the development of best practices within the Company and helps Directors to fulfill their fiduciary duties to the Company's stockholders. The Company encourages Directors to participate in continuing director education programs and will pay all fees, costs and expenses of each Director to attend one director education program annually, provided the program is accredited by a nationally recognized shareholder services or proxy analyst organization or has been approved by the Company's Corporate Secretary and the Chair of the Company's Nominating and Corporate Governance Committee.

## **F. BOARD OVERSIGHT FUNCTIONS**

### **1. Succession Planning**

The Nominating and Corporate Governance Committee shall make an annual report to the Board on succession planning, including in the event of an emergency. The Board, with the assistance of the Nominating and Corporate Governance Committee and the Chief Executive Officer, shall identify, nominate and evaluate potential successors to the Chief Executive Officer. At all times, the Chief Executive Officer should make available to the Nominating and Corporate Governance Committee, on a confidential basis, his or her recommendations and evaluations of potential successors, along with development plans recommended for such individuals.

### **2. Annual Assessment of Performance of Board and Board Committees**

The Nominating and Corporate Governance Committee shall be responsible for coordinating an annual self-evaluation of the Board and its Committees. The Nominating and Corporate Governance Committee will solicit comments from all Directors and report annually to the Board with an assessment of the Board's and each Committee's performance and procedures. The assessments should specifically address weaknesses in Board and Committee structure and propose actions to be taken to correct them. The assessments will be discussed with the full Board following the end of each year.

### **3. Evaluation and Compensation of the Chief Executive Officer and Other Executive Officers**

The Directors, with the oversight of the Presiding Director, shall evaluate the performance of the Chief Executive Officer annually.

Prior to January 1 of each year, the Executive Compensation Committee shall recommend to the independent Directors a compensation plan (the "Plan") for the Company's Chief Executive Officer, including without limitation the goals and metrics for the calendar year then commencing, and shall approve the compensation structure for other members of the Company's executive management. The independent Directors shall review the Plan for the Chief Executive Officer on or before January 31 of the calendar year under consideration. The Plan for the Chief Executive Officer shall be finalized and effective on or before January 31 of the calendar year under consideration.

If material events occur during the year that impact the Plan for the Chief Executive Officer, or the goals or metrics thereunder, the Executive Compensation Committee will recommend to the independent Directors such adjustments to the Plan as the Executive Compensation Committee deems necessary and appropriate. The independent Directors shall vote on any such adjustments to the Plan as soon as reasonably practicable.

At or shortly following the end of each calendar year, the Executive Compensation Committee will receive a self-evaluation from the Chief Executive Officer and a summary of the achievement of the goals set forth in the Plan, each of the foregoing to be for the year then ended. After receipt of these items, the Executive Compensation Committee will determine the total compensation to be awarded to each member of the Company's executive management under the Plan for the year then ended, other than the Chief Executive Officer. With respect to the Chief Executive Officer, the Executive Compensation Committee shall recommend the total compensation to be awarded to the Chief Executive Officer under the Plan for the year then ended. The Executive Compensation Committee's compensation recommendation for the Chief Executive Officer will be submitted to the independent Directors for approval prior to January 31.

## **G. DIRECTOR COMPENSATION**

The form and amount of Director compensation will be determined by the Nominating and Corporate Governance Committee in accordance with the policies and principles set forth in its charter and then recommended to the full Board. Management shall report to the Nominating and Corporate Governance Committee annually on an assessment of Director compensation measured against the Company's peer group as determined by the Nominating and Corporate Governance Committee. Independent Directors will receive no additional compensation, in the form of consulting fees or other specific benefits, beyond that provided for service on the Board.

## **H. MATTERS RELATED TO MANAGEMENT RESPONSIBILITIES**

### **1. Limitation on Board Membership by Senior Management**

The Chief Executive Officer and other members of the Company's senior management shall advise the Chair of the Nominating and Corporate Governance Committee upon his or her receipt of an invitation to serve on any corporate, charitable, civic, religious, public, political or social board, and acceptance of any such invitation shall be subject to the review and approval by the Nominating and Corporate Governance Committee. As a general rule, the Chief Executive Officer should not serve on more than two public company boards in addition to the Board.

### **2. Board Relationship with Senior Management**

The Company's success depends on a meaningful and supportive partnership between the Board and senior management. The Board holds senior management accountable for attaining the Company's goals and objectives.

Senior management is also responsible for keeping the Board well informed on all significant issues that affect the performance of the Company.

Each officer has the authority and shall perform the duties set forth in the Company's By-Laws or, to the extent consistent with the By-Laws, the duties prescribed by the Board or by

direction of an officer authorized by the Board to prescribe the duties of other officers. Management responsibilities shall include, but not be limited to:

- Developing plans, strategies and objectives to support the Company's mission statement and presenting them to the Board for review and approval;
- Implementing approved strategies and plans to achieve approved performance objectives;
- Organizing, developing and motivating a staff capable of successfully carrying out approved strategies and performance objectives;
- Protecting and enhancing corporate assets and obtaining an acceptable return on capital;
- Maintaining good relationships with tenants, operators and managers;
- Providing a work environment for employees that ensures fair treatment and offers them an opportunity to develop their talents;
- Ensuring compliance with all applicable laws and regulations;
- Fulfilling the Company's social and community responsibilities; and
- Periodically reporting to the Nominating and Corporate Governance Committee on the development of senior management personnel and senior management succession plans.

### **3. Minimum Ownership Guidelines for Executive Officers**

Executive officers of the Company shall be subject to the following minimum ownership guidelines:

The Chief Executive Officer is required to maintain ownership of a number of shares of the Company's Common Stock which, as of each July 1, has a Fair Market Value (as defined below) of not less than five (5) times his or her then-current base salary.

Each other executive officer is required to maintain ownership of a number of shares of the Company's Common Stock which, as of each July 1, has a Fair Market Value of not less than three (3) times his or her then-current base salary.

For purposes of these guidelines, Common Stock shall include all shares of the Company's Common Stock reported as beneficially owned (as defined in Rule 16a-1 promulgated under the Exchange Act) by the executive officer and shall specifically include all shares of Common Stock granted to the executive officer by the Company (whether vested or unvested) but shall specifically exclude (a) stock options (whether vested or unvested), (b) shares of Common Stock that are subject to floors, collars, or other hedging transactions, and (c) shares of Common Stock held in a trust or owned by a foundation or other entity but only if such shares are not reported as beneficially owned (as defined in Rule 16a-1 promulgated under the Exchange Act) by the executive officer. Executive officers shall include all persons deemed to be "executive officers" as defined in Rule 3b-7 under the Exchange Act.

“Fair Market Value” as used herein shall mean the average per-share closing price of the Company's Common Stock as reported by the NYSE for each trading day in the 365-day period ending on the date immediately preceding the date of computation.

Each executive officer shall have five (5) years from the date that he or she first becomes subject to the minimum ownership guidelines to satisfy the minimum ownership guidelines (e.g., an executive officer that became subject to the minimum ownership guidelines on January 1, 2008, must be in compliance with the guidelines on the July 1 immediately following the fifth anniversary of January 1, 2008 or July 1, 2013). During this five (5) year transition period and until such executive officer satisfies the minimum ownership guidelines, the executive officer must retain sixty percent (60%) of all shares of Common Stock granted to the executive officer by the Company and sixty percent (60%) of all shares of Common Stock obtained through stock option exercises by the executive officer.

The Chief Executive Officer may determine, in his or her sole discretion, such conditions and exceptions to the minimum ownership guidelines as he or she deems appropriate and market competitive, on a case by case basis, for all executive officers other than himself or herself.

The Nominating and Corporate Governance Committee may determine such conditions and exceptions to the minimum ownership guidelines as it deems appropriate and market competitive, on a case-by-case basis, for the Chief Executive Officer.

Any executive officer who fails to satisfy the minimum ownership guidelines shall be subject to such action as deemed appropriate by the Chief Executive Officer or the Nominating and Corporate Governance Committee, as applicable. Notwithstanding anything contained in the minimum ownership guidelines, any purchase of shares of the Company's Common Stock that may be required under the guidelines shall be made in compliance with the Company's Amended and Restated Securities Trading Policy and Procedures.

## **I. OTHER MATTERS**

### **1. Board Has Its Own Outside Advisors**

The Board may retain and have access to outside counsel of its choice, at the Company's expense, with respect to any matter relating to its activities. Each Board Committee shall have access to accountants, compensation consultants, or other independent advisors whose experience is deemed essential to carrying out the Committee's mission. The Chair of the Executive Compensation Committee shall be notified prior to the Company, the Board or any Board Committee (other than the Executive Compensation Committee) engaging for any reason a compensation consultant retained by the Executive Compensation Committee within the prior three years.

### **2. Policy Against Company Loans**

Neither the Company nor any of its subsidiaries shall provide loans or loan guarantees or otherwise directly or indirectly extend credit to any executive officer of the Company or any Director. Payment advances or reimbursement for expenses will not be deemed a violation of the foregoing policy.

### **3. Policy Against Tax Gross-up Arrangements**

The Company shall not enter into any contract, agreement or arrangement with an executive officer of the Company that obligates the Company to pay directly or reimburse such executive officer for any portion of the executive officer's individual tax liability for benefits provided by the Company (a "tax gross-up benefit"); provided, however, that this policy shall not prohibit any tax gross-up benefit provided pursuant to (a) contracts, agreements or arrangements existing as of May 16, 2013, the effective date of this policy, (b) contracts, agreements or arrangements assumed by the Company in connection with acquisitions, or (c) plans, policies or arrangements applicable to Company employees generally.

### **4. Board Access to Management**

Directors have complete access to management. Directors will use their judgment to ensure that such contacts do not distract the business operations of the Company and that, in general, the Chief Executive Officer is made aware of such contacts.

### **5. Board Interaction with Third Parties**

Management should coordinate all contacts with outside constituencies, such as the press, tenants, operators, managers, investors, analysts or the financial community. If a Director intends to meet or otherwise substantively communicate with any such constituency, including by speaking at any conference or seminar, about the Company or any matters related to the Company's business or any industry in which it competes (e.g., the healthcare industry, the real estate investment trust industry), the Director should first consult with the Chief Executive Officer or the Chief Executive Officer's designee (e.g., President, General Counsel).

This policy applies to all communications about the Company and matters related to the Company's business or any industry in which it competes (e.g., the healthcare industry, the real estate investment trust industry) in response to inquiries that may be made by the press, investment analysts, stockholders or others in the financial community. It is important that all communications on behalf of the Company be made only through authorized individuals. Generally, if a Director receives any inquiries of this nature, the Director should decline comment and refer the inquiry directly to senior management of the Company, unless comment by the Director has previously been approved by the Company.

### **6. Confidentiality Requirements for Directors**

One of the Company's most valuable assets is the information gathered and developed in the management and operation of its business. This information must be safeguarded, protected and used only for legitimate business purposes. Confidential information includes all non-public information that could be harmful to the Company or its tenants, operators or managers or that could be used by competitors, investors, potential investors, analysts, or other third parties. Confidential information also includes information that tenants, operators, managers and other third parties have entrusted to the Company.



Pursuant to their fiduciary duties of loyalty and care, Directors are required to maintain the confidentiality of information entrusted to them by the Company and any other confidential information that they receive from any source in their capacity as a Director. Directors should take all appropriate steps to minimize the risk of disclosure of confidential Company communications to them and of confidential Director discussions. All discussions and deliberations occurring at Board or Committee meetings are presumed to be confidential information. Directors may not use confidential information for their own personal benefit or for the benefit of persons or entities outside the Company or in violation of any law or regulation, including insider trading laws and regulations. The responsibilities of Directors with regard to confidential information apply during and after their service on the Board.

Directors should not discuss nonpublic information regarding Company matters with anyone outside of the Company (including family members and friends), except as required in the performance of their regular duties. Directors should also use caution not to discuss such matters in public places, on cellular phones or where conversations can be overheard (e.g., airplanes, taxicabs, restaurants, restrooms, elevators).

The disclosure of confidential information is permitted only when required by law or when disclosure would be in the best interests of the Company, and in each such case, the approval of the General Counsel's office must be obtained prior to the release of such information. If prior consultation is not feasible, the General Counsel should be informed as soon as possible regarding the disclosure. If confidential information is inadvertently disclosed, no matter what the circumstances, it must be reported immediately to the Company's General Counsel or Whistleblower Officer.

#### **7. Periodic Review of Guidelines on Governance**

The Nominating and Corporate Governance Committee shall review and assess the adequacy of these Guidelines on Governance at least annually and recommend any proposed changes to the Board for approval.

#### **8. Disclosure of Guidelines on Governance**

These guidelines, together with the Company's Code of Ethics and Business Conduct and the Company's Whistleblower Policy and Procedures, are posted on the Company's website and are available in print to any shareholder upon request. Such availability on the Company's website and in print will be noted in the Company's proxy statement and annual report to stockholders.