



## **Environmental/Social/Governance Guidelines**

Community Healthcare Trust (“CHCT”) has developed these Environmental, Social, and Governance (“ESG”) Guidelines to be used to guide our sustainability efforts and monitor our performance.

Our success depends on understanding our diverse stakeholders and engaging with them on the issues they care about. CHCT intends to define and engage our stakeholder groups broadly through formal and informal mechanisms. It will be our goal to undertake assessments to gather insight on the relative importance of specific ESG issues relevant to our key stakeholders. We encourage anyone with a question or comment to contact us via our corporate website [www.chct.reit](http://www.chct.reit).

Maintaining strong corporate governance and ethical business practices, engaging in the communities where we operate and minimizing our environmental impact is beneficial to all our stakeholders—shareholders, tenants, and employees alike. Implementing smart ESG policies is essential to delivering long-term superior results, resilience and sustained excellence.

Our core ESG objectives are to (i) be an innovative source of capital to healthcare providers in local communities – including many underserved markets; (ii) support our employees and tenants with a safe and healthy environment; (iii) partner with our tenants to develop creative solutions to protect our environment; (iv) deliver long-term, consistent returns to our shareholders; and (v) serve as a well-regarded member of the communities in which we operate

The executive officers of CHCT (“Management”) are vested with the authority to carry out the provisions of these Environmental, Social, and Governance Guidelines (the “Guidelines”). Management may alter the methods of implementing these Guidelines as new benchmarking and measurement tools are developed. The Board of Directors may alter these Guidelines if they determine that such a change is in the best interests of CHCT and its stakeholders.

### **About Community Healthcare Trust**

Community Healthcare Trust is a leading Healthcare Real Estate Investment Trust (REIT) headquartered in Franklin, Tennessee. We own a diverse, quality portfolio of approximately 110 properties including physician offices, specialty centers, behavioral facilities, inpatient rehab facilities and medical office buildings across the United States. Our portfolio is purposefully diversified by asset type, operator and business model, which, combined with our highly focused strategy, financial strength and experienced team, has enabled us to deliver consistently outstanding returns to our shareholders since inception.

As one of the country's newest public healthcare REITs, CHCT, is a premier capital provider to leading healthcare operators. We function at the intersection of two powerful and dynamic industries – healthcare and real estate – and benefit from powerful demographic demand tailwinds. In 2017, these two industries together accounted for nearly 40 percent of the \$18.6 trillion U.S. gross domestic product.

Our diverse portfolio, together with our focused strategy, financial strength and experienced team, are the cornerstones of our success, and have empowered us to deliver outstanding performance to our shareholders in a short period of time. By maintaining financial strength and a resilient, diverse portfolio of assets, our experienced team has anticipated and positioned CHCT for changes in a dynamic macro environment. This combination enables us to provide our investors with total shareholder return outperformance through stable cash flows and stock price growth.

As a company founded with a clean sheet of paper approach five years ago, our culture has been built on integrity, transparency and trust from the very beginning. Our commitment to ESG principles has been woven into our actions, decisions and processes. This commitment drives the performance of our portfolio and creates a natural synergy for lasting profitability and performance.

Community Healthcare Trust's approach has been unique in real estate, healthcare and the REIT industry. Our success is the result of our vision and our team's strong commitment to alignment of interest with our stakeholders and to a sound and consistent strategy, well executed.

C-Suite executives act like investors because they are investors – having taken 100% of their compensation in restricted stock from the formation of CHCT.

Our human capital remains the core of our success. Guided by a strong, independent and diverse Board of Directors, our dedicated and talented professionals accomplish our strategic initiatives and fulfill financial commitments in a company environment designed to help them thrive and achieve their full potential.

Our carefully designed portfolio is resilient and diverse across industry segments, tenants and geographic areas. We are undertaking long-term programs that meet our cohesive objectives of improving efficiency and providing for our stakeholders.

Our relationships with healthcare providers and real estate owners are thoughtfully selected and structured for long-term mutual benefits. We are excited to provide communities, individuals and their families places to receive care. We are an engaged neighbor within the communities where we live, work and invest.

## **Environmental Guidelines**

CHCT is committed to sustainable practices, which we intend to embed in our acquisitions, asset management and risk management processes. Integrating sustainability into our core business practices reduces risk— including risk from climate change, improves the efficiency of our building operations, creates value for our shareholders and communities, and protects our planet.

CHCT recognizes that it has operational control of only a small portion of its buildings; however, Management intends to work with its tenants to encourage sustainability across the portfolio.

Some key areas of focus, among others will include:

- Benchmarking energy and water consumption with the goal of reducing waste whenever possible
- Requiring the use of LED lighting, high-efficiency HVAC units, and low flow water fixtures on all newly developed and renovated buildings
- Providing recycling services at our properties where recycling is available
- Offering tenants a payback period analysis in order to encourage the use of high efficiency design and products

### **Energy**

We believe environmental sustainability is an important part of our commitment to helping people live well. Operating efficiently, reducing our energy consumption and energy use intensity will enable us to control utility costs, maximize the life of our equipment, mitigate the impact of emerging energy and climate related regulations and minimize our environmental impact.

We intend for our energy management strategy to consist of a multi-pronged approach that will utilize procurement, benchmarking, engagement and fostering continuous improvement to drive performance and help us meet our goals.

Our strategy and associated initiatives will predominantly extend to the properties where we have operational control. Where we do not have operational control of the properties, we intend to work to influence and partner with our tenants to help them reduce their impacts. Key performance indicators in this area will include energy costs, energy consumption, energy use intensity and progress made toward achieving an energy reduction goal.

### **Water**

Using water in a responsible manner is important for the continued health of our operations, the communities in which we operate and the planet. The amount of freshwater on Earth is finite and the demand for water continues to increase with a growing population.

This has led to increases in water and sewer costs and to the adoption of restrictions on urban water use by some states and local governments. By managing our water consumption

responsibly, we intend to be prepared to face rising costs and increasing regulations. We intend to do our part to conserve a precious resource.

Our strategy for managing our water use will be through a combination of benchmarking usage, monitoring for trends, and upgrading to low-flow and high-efficiency fixtures and equipment where possible.

Our water management strategy and initiatives will extend to where we have operational control. While we do not manage the water consumption of properties outside of our control or in our tenant spaces, we intend to work to influence and assist our tenants to help them reduce their water consumption. Key performance indicators in this area will include water and sewer costs, water use, water use intensity and progress made toward achieving a water use reduction goal.

## **Emissions**

Helping people live well depends on a healthy planet. Climate change has been projected to impact human health through higher global temperatures, increased range of vector borne diseases and disruption of food security. By reducing our greenhouse gas emissions, we will be doing our part to fight climate change and preserve the health of our planet and its inhabitants.

Our approach to managing our greenhouse gas emissions will be based on transparency, reduction and partnerships. We intend to work to reduce our emissions by increasing our energy efficiency, reducing our energy intensity and purchasing green power.

We will review the development of on-site renewable energy resources where viable and financially feasible. We will seek to provide alternative transportation infrastructure, where viable and financially feasible, allowing our employees and tenants and their patients at our properties the potential to reduce their transportation related emissions.

We understand that reducing emissions and mitigating the effects of climate change is a collaborative effort. Key performance indicators in this area will include metric tons of greenhouse gases emitted as a result of our operations and progress made toward achieving a greenhouse gas reduction goal.

## **Waste and Recycling**

Landfilled waste contributes to greenhouse emissions, impacts the environment and wastes resources. Reducing the amount of waste sent to landfill from our operations will allow us to do our part to reduce emissions and to protect our planet.

We intend to manage our waste by focusing on education and outreach and by providing opportunities for our employees, tenants and visitors to recycle. We intend to implement recycling programs at a majority of the properties in our control and work to engage everyone to do their part and reduce the amount of waste they send to landfill. Key performance indicators in this area will include waste diversion rate and the amount of electronic waste that has been recycled.

## **Social Guidelines**

CHCT acquires real estate in non-urban communities and underserved markets. Management believes that CHCT provides much needed capital for healthcare providers thereby facilitating community reinvestment. In addition, CHCT seeks to develop healthcare provider clients that result in multiple project opportunities. Management views these relationships as critical for building a stable acquisition pipeline. Finally, Management recognizes the value each of our employees bring to our tenant clients and seek ways to further support and engage them. Core tenets of our Social Guidelines are to:

- Care for our employees by providing a comfortable workplace, a competitive compensation and benefits package (including Company ownership opportunities), and an equal opportunity work environment
- Support of the communities in which we operate by providing capital for healthcare operators that other investors overlook due to size or location
- Give back to our employees and communities through our employee “Day of Purpose”, charitable matching program, and training / education assistance
- Develop healthcare provider clients resulting in a core pipeline of projects through superior client service, creative ideas, and flexibility of lease structure

## **Policy on Non-Discrimination**

Management seeks to foster a culture of diversity, inclusion, and equality. As part of its diversity commitment, CHCT strives to have diversity of its workforce (including consultants and property level contractors) by gender, ethnicity and other factors. On a short-term basis, due to its small employee base and turnover, CHCT’s actual diversity metrics may fall below its goals. However, over the long-term, Management will strive to maintain a minimum level of diversity.

- CHCT is committed to the prohibition and/or non-toleration of discrimination on the grounds of age, disability, ethnic origin, family status, race, religion, gender, sexual orientation, social origin and other personal characteristics.
- CHCT is committed to non- discrimination in different aspects of employment such as recruitment, job assignment, promotion, remuneration, training and benefits.
- CHCT is committed to the prohibition and/or non-toleration of harassment and abusive behavior.
- CHCT is committed to pursue proportional representation of women and minorities in management
- CHCT has a target of zero controversies relating to discrimination of any kind

## **Health and Safety Management**

Ensuring a safe environment for our employees, tenants and visitors to our properties is a priority for CHCT. Prioritizing the safety and wellbeing of our people is material to our success. By providing safe work environments, we not only protect our employees, tenants and visitors, we protect our bottom line.

We intend to have a number of programs to ensure safe and healthy environments for everyone on our properties. These programs will work to connect management, employees and contractors to ensure there is a culture of safety first. We intend to measure our performance in this area by tracking our lost time incident rate and by measuring the progress towards our zero lost time incident rate goal.

- CHCT is in the process of reviewing and designing a health and safety management program based on the OSHA October 2016 recommended practices
- CHCT targets zero work-related accidents and fatal accidents for employees and on-site contractors and has not had any since inception
- CHCT intends to develop a system of registration checking the number and status of all on-site contractors
- CHCT intends to provide a system of training all contractors including information related to onsite health and safety procedures
- CHCT intends to develop a system that monitors and evaluates the integration of contractors into our health and safety program

## **Freedom of Association**

- CHCT intends to support freedom of association for our employees and those of our contractors.
- CHCT intends to communicate its commitment to ensuring freedom of association to its staff as and when appropriate.
- CHCT currently has no staff in countries with severe legal/factual limitations. However, if it did, CHCT would be committed to ensuring freedom of association and the right to collective bargaining, to the extent practicable

## **Governance Guidelines**

CHCT has had policies that encourage transparent and shareholder-friendly corporate governance since its founding. Management recognizes that CHCT's long-term success and viability are dependent on our ability to execute our sustainability and social responsibility.

Community Healthcare Trust has a code of Ethics and Business Conduct, Securities Trading Policy and Whistleblower Policy included with the Employee Handbook.

These codes, programs, and policies cover a wide range of business practices and procedures including, but not limited to, compliance with laws, rules and regulations, related party transactions, discrimination, harassment, health and safety, as well as competition and fair dealing.

The employee handbook provides a framework of foundational principles for our employees, officers and directors. Every employee is required to sign the Employee Handbook acknowledging receipt and review of the material on an annual basis.

## **Risk Management**

CHCT has Investment Guidelines to limit concentration of tenant, healthcare sector, and geographic location. We believe diversification among these three criteria is critical to building a stable business.

In addition, we have adopted financial guidelines that limit the amount of leverage CHCT can take on in the short term as well as a long-term goal of keeping debt to total invested capital below 40%. Management and the board believe that staying disciplined in these areas position CHCT for long term stability and growth.

Our internal audit department is responsible for evaluating CHCT's network of risk management, control and governance processes, as designed by Management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified, analyzed and managed
- Significant financial, managerial and operating information is accurate, reliable and timely
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations
- Quality and continuous improvement are fostered in CHCT's control process
- Significant legislative or regulatory issues impacting CHCT are recognized, analyzed and addressed appropriately
- Remedial action is taken whenever inadequacies are discovered concerning any of the above

## **Ethics & Integrity**

CHCT is fully committed to honesty, fairness and integrity in our business conduct. We expect all employees, officers, directors and agents to conduct themselves and CHCT's business in a way that protects our reputation for integrity

CHCT is committed to the highest level of legal, ethical and moral standards in the conduct of business, based on a fundamental belief in law, honesty, fair dealing and open competition. Our employees, officers, directors and agents are expected at all times to maintain and foster these standards as they conduct business on behalf of CHCT. We expect employees, officers, directors and agents to act honestly and ethically in business relationships with CHCT's stakeholders, strive for excellence in the performance of all duties and comply with all applicable laws and regulations.

Our corporate governance policies and guidelines promote fairness and alignment, accountability of management and the Board of Directors, transparency, sound risk management, and delivery of consistent and superior total returns to stockholders. All policies and guidelines can be found on our website at <https://investors.chct.reit/corporate-governance>.

### **Code of Ethics and Business Conduct**

Our Code of Ethics and Business Conduct covers all significant areas of professional conduct. These include employment practices, conflicts of interest, protection of confidential information and other Company assets, compliance with applicable laws and regulations, political activities, and other public policy matters and proper and timely reporting of financial results.

CHCT new hires are introduced to the Code during training on their first day. We intend for new hires to complete additional training on the Code and related compliance topics such as our securities trading and conflicts of interest policies.

It is our goal to have all employees complete annual mandatory training modules for the Code as well as other integrity and compliance topics. These topics would also be incorporated in any employee updates and highlighted internally for ongoing education and knowledge.

Our Code provides advice about ethical and lawful behavior and organizational integrity, and clearly outlines the legal and ethical standards to which CHCT employees, officers and directors must adhere. In addition, the Code furnishes employees, shareholders and other interested parties with multiple methods by which they can report concerns and complaints about perceived or potential misconduct, including:

We have a zero-tolerance, non-retaliation policy to protect parties who make any such reports in good faith, ensuring an environment where incidents can be reported without fear of negative consequences

### **Board Of Directors**

CHCT has had, since its inception, a commitment to transparent, responsible and best-in-class corporate governance practices that enable us to meet the needs of our stakeholders and ensure the long-term sustainability of our organization.

Our experienced, independent and diverse Board of Directors provides guidance and oversight with respect to our financial and operating performance, strategic plans, key corporate policies and decisions, and enterprise risk management.

Our Board members challenge us to outperform, manage risk and create value for our stakeholders, setting and expecting the highest standards for CHCT's employees and officers.



The CHCT Board of Directors is comprised of five members, as detailed in our 2018 proxy statement. All directors, other than our Chief Executive Officer, are independent according to NYSE standards.

The Board has three standing committees:

- Audit and Compliance
- Nominating and Corporate Governance
- Executive Compensation

Our Board committees are comprised exclusively of independent directors.

Our Company and our stakeholders are stronger and more effective when we intentionally develop and recruit a diverse workforce and Board of Directors. We actively look for diverse candidates when considering new Board members, evaluating a variety of metrics, including both inherent diversity indicators—age, gender and ethnicity— and acquired diversity indicators such as skill set, industry experience, education and training.

### **Shareholder Friendly Policies**

As best practices for corporate governance continue to evolve, CHCT remains committed to implementing shareholder friendly policies. We seek to engage our leading shareholders to discuss corporate governance issues.

Some of the shareholder policies that have been part of our culture from inception include:

- Since inception, 100% of all C-Suite compensation has been taken in restricted stock.
- Since inception, all board members have been elected annually.
- CHCT, which is incorporated in Maryland, elected out of the provisions of the “Maryland Unsolicited Takeover Act” or “MUTA,” and embedded in its organizational documents the inability to change such election without shareholder approval.
- Our board only has one non-independent director and includes an independent lead director, who presides over executive sessions of the independent directors at every board meeting.
- C-Suite executive compensation is heavily weighted toward performance-based incentives that use pre-defined operating metrics and relative total shareholder return as the drivers of incentive awards.
- CHCT maintains stock ownership guidelines to align the interests of the board, executive management, other management and shareholders.

Our proxy report includes additional information on corporate governance, corporate conduct, business ethics, and compensation.

## **THE FUTURE**

At Community Healthcare Trust, we are committed to being responsible corporate citizens and running a company that is built to last. With a focus on the future, we plan to benefit all of our stakeholders – our tenants, our employees and shareholders – today as well as over the long term by taking care of our portfolio and reducing our overall impact on the environment. We intend to work towards meeting our goals and commitments through our ongoing efforts to improve the sustainability of our operations through prudent environmental, social, and governance practices and initiatives.