

POLAR CAPITAL GLOBAL HEALTHCARE TRUST PLC

Report on Corporate Governance – Year ended 30 September 2017

The Directors are accountable to shareholders for the governance of the Company's affairs. The UK Listing Rules require all listed companies to disclose how they have applied the principles and complied with the provisions of the UK Corporate Governance Code (the 'UK Code') which was effective during the financial year, issued by the Financial Reporting Council. The UK Code can be viewed at www.frc.org.uk

The Association of Investment Companies ('AIC') publishes a Code of Corporate Governance ('AIC Code') and a Corporate Governance Guide for Investment Companies ('AIC Guide'). In July 2016 the AIC published a revised AIC Code and AIC Guide to reflect changes made to the UK Code in April 2016. In line with the UK Code, the revised AIC Code and AIC Guide apply to accounting years beginning on or after 17 June 2016.

The AIC Code and AIC Guide address the principles set out in the UK Code as well as additional principles and recommendations on issues that are specific to investment trusts. The AIC Code can be viewed at www.theaic.co.uk

The Financial Reporting Council has confirmed that by following the AIC Code and the AIC Guide, boards of investment companies will meet their obligations in relation to the UK Code and paragraph 9.8.6 of the Financial Conduct Authority (FCA) Listing Rules.

As an investment company most of the day to day responsibilities are delegated to outside parties as the Company has no employees and all the Directors are Non-executive. Many of the provisions of the UK Code are not directly applicable to the Company and the Board has determined that reporting against the AIC Code, which incorporates the UK Code, provides the most appropriate information to shareholders.

Statement of Compliance and Application of the AIC Code's Principles

The AIC Code comprises 21 principles. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company. The Board consider that for the year under review the Directors, Board and Company have complied with the recommendations of the AIC Code in so far as they apply to the Company's business. For the reasons set out in the AIC Guide, the Board considers the following provisions are not relevant to the Company, being an externally managed investment company:

- as all Directors are Non-executive and day to day management has been contracted to third parties the Company does not have a separate role for a Chief Executive. The Chairman of the Board is Non-executive;
- as there are no executive Directors there is no need to comply with the UK Code in respect of executive directors' remuneration;
- the Company does not have an internal audit function as it relies on the systems of control operated by third party suppliers, in particular those of the Investment Manager. The Board monitors these systems of internal control to provide assurance that they operate as intended insofar as they relate to the affairs of the Company and;
- due to the structure of the Board it was considered unnecessary to identify a senior independent Non-executive Director. The Board considers that all Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns may be conveyed.

The Board believes that the Company's current practices are consistent in all material respects with the principles of the AIC Code and where non-compliance occurs, an explanation has been provided. The Board will continue to observe the principles and recommendations set out in the AIC Code. Where the Company's duties are delegated to third parties the Company has agreed policies and operating procedures with the suppliers of these services.

AIC Code Principle		How the principles are applied
THE BOARD		
1	<i>The chairman should be independent.</i>	James Robinson was appointed to the Board at launch in May 2010 and is fully independent. The Board considers the competence and independence of the Directors on an annual basis.
2	<i>A majority of the board should be independent of the manager.</i>	For the year to 30 September 2017 and since launch of the Company the Board has comprised four independent Non-executive Directors. At the AGM to be held in 2018 two of the Directors shall retire from the Board and two newly appointed independent Non-executive Directors will stand for election by shareholders. All the Directors are considered to be fully independent in character and judgement and no Director has any former connection with the Manager.
3	<i>Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.</i>	Directors are required to stand for election by shareholders at the first AGM following their appointment to the Board and shall stand for re-election at every third AGM thereafter. The Board formally reviews performance of the Directors and where appropriate shall recommend to shareholders the re-election of those standing.
4	<i>The board should have a policy on tenure, which is disclosed in the annual report.</i>	The Board has determined that due to the limited seven-year life of the Company there is no formal policy on Directors' tenure. However, in line with corporate governance best practice, it is proposed that the composition of the Board will be refreshed from time to time.
5	<i>There should be full disclosure of information about the board.</i>	The biographies of the Directors are set out on pages 32 and 33 of the Annual Report. They demonstrate a breadth of experience across the investment and financial services industry and exposure to the healthcare sector.
6	<i>The board should aim to have a balance of skills, experience, length of service and knowledge of the company.</i>	The Board considers the skills, experience, knowledge and length of service of the Directors to be appropriate.
7	<i>The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.</i>	Evaluation of the Board, individual Directors and the Committees is undertaken annually. The evaluation of the Chairman is led by the Chairman of the Audit Committee. The evaluation outcomes are reviewed and reported on by the Board as a whole and, should it be deemed necessary, additional reporting measures or operations would be put in place.
8	<i>Director remuneration should reflect their duties, responsibilities and the value of their time spent.</i>	The Directors' Remuneration Report is provided on pages 42 to 44 of the Annual Report and describes the processes undertaken when reviewing remuneration.

9	<i>The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.</i>	The Board undertakes the actions of a Nominations Committee when considering the composition of and recruitment to the Board.
10	<i>Directors should be offered relevant training and induction.</i>	When new Directors are appointed they are provided with key information of the Company and the regulatory environment, they are also offered an induction session run by the Manager in conjunction with the Chairman.
11	<i>The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.</i>	The Company was launched with a limited life of seven years to conclude in 2018. The full Board in association with the Company's advisers undertook a reconstruction exercise in early 2017 which re-launched the Company with a revised investment strategy from 20 June 2017. A new seven-year life was started which shall conclude in March 2025.
BOARD MEETINGS AND THE RELATIONSHIP WITH THE MANAGER		
12	<i>Boards and managers should operate in a supportive, co-operative and open environment</i>	Representatives of the Manager attend Board meetings in a variety of capacities including investment management, compliance, risk and marketing. In addition, the Manager provides a Company Secretary who attends throughout the meetings and senior executives of the Manager join the Board on request. The Board and Manager work in a collaborative manner and the Chairman encourages open discussion and debate.
13	<i>The primary focus at regular board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/investor relations, peer group information and industry issues.</i>	The Board is provided with a full range of information on investment, financial, regulatory and administrative matters for review and discussion including investment performance and attribution analysis at every meeting in addition to periodic marketing, sales and other reports and presentations.
14	<i>Boards should give sufficient attention to overall strategy.</i>	The full investment strategy was revised during the reconstruction exercise undertaken in early 2017. The Board continues to consider the Company's strategy and its relevance to the market and shareholders as a whole at each Board meeting.
15	<i>The board should regularly review both the performance of, and contractual arrangements with, the manager.</i>	While it may be discussed at any time by the Board, the Management Engagement Committee formally reviews the performance and activities of the Investment Manager annually and considers the terms of the Investment Management Agreement and contractual arrangements.
16	<i>The board should agree policies with the manager covering key operational issues.</i>	The Board has delegated operational activities to the Manager under the terms of the Investment Management Agreement. Policies concerning the

		operations of the Company including regulatory requirements, stewardship, reporting and governance are discussed with and reviewed by the Board from time to time.
17	<i>Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.</i>	The NAV and share price along with the level of discount and/or premium are considered at every Board meeting and are monitored by the Investment Manager on a daily basis. Where it is deemed appropriate the Board has the authority to undertake share buy backs or share issues.
18	<i>The board should monitor and evaluate other service providers.</i>	The full schedule of service providers is reviewed by the Board at least annually; the Audit Committee reviews the internal controls reports provided by third party suppliers. The Manager carries out service review meetings and representatives of various providers present to the Board directly from time to time.
SHAREHOLDER COMMUNICATION		
19	<i>The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the board's views to shareholders.</i>	The Board receives a shareholder analysis at every Board meeting which is discussed with the Manager's Head of Sales and the Corporate Broker. The Chairman and Directors are available and welcome meetings with institutional shareholders and invite all shareholders to attend the AGM to review the year past and the outlook for the future.
20	<i>The board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.</i>	The Board, or where relevant a Committee of the Board, considers all major shareholder communications and is kept abreast of minor communications managed by the Manager.
21	<i>The board should ensure that shareholders are provided with sufficient information for them to understand the risk:reward balance to which they are exposed by holding the shares.</i>	The net asset value of the Company is published daily via RNS to the London Stock Exchange. Marketing activity is undertaken by the Manager on behalf of the Company, and a full review of proposed activity is discussed annually before implementation. The Manager maintains a website for the Company on which a number of shareholder information documents are held including the Annual and Interim Financial Reports, portfolio listings, monthly fact sheets and the newly required key information document; the website also has a direct news feed from the London Stock Exchange to ensure all Company announcements are easily accessible.

Role, Responsibilities and Committees

The Board

The Board meets regularly and as required. During the year, Board and Board Committee meetings were held to deal with the ongoing stewardship of the Company and other matters including the setting and monitoring of investment strategy and performance, review of financial statements, and shareholder issues including investor relations. The level of the ordinary share price discount or premium to the Net Asset Value together with policies for re-purchase or issuance (or re-issuance) of shares, are kept under review along with matters affecting the industry and the evaluation of third party service providers.

A formal schedule of matters specifically reserved for decision by the full Board has been defined and a procedure has been adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. No such advice has been sought during the year.

The Directors have access to the advice and services of the corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board and Investment Manager operate in a supportive, co-operative and open environment.

The number of formal meetings of the Board and its Committees held during the year ended 30 September 2017 and the attendance of individual Directors are shown below:

	Board	Audit Committee	Management Engagement Committee	AGM
<i>Number of Meetings*</i>	6	3	1	1
James Robinson	6	3	1	1
John Aston	6	3	1	1
Anthony Brampton	6	3	1	1
Antony Milford	6	3	1	1

* During the year under review, a number of additional special purpose Board and Committee meetings were held to discuss and review the tender offer and reconstruction of the Company. A shareholder general meeting to approve the reconstruction was also held during the year.

Board Committees

The Board has delegated to the Audit Committee and the Management Engagement Committee specific remits for consideration and recommendation but the final responsibility in these areas remains with the Board. The Board determined that due to its size, and the fact that all the Directors are Non-executive and independent, the functions of the Nomination Committee and Remuneration Committee would be carried out by the full Board.

Further detail on the work of the Audit Committee and the Management Engagement Committee is provided on pages 37, 38 and 45 to 49 of the Annual Report.

The Board acting as the Nomination Committee will, when considering new or further appointment of directors, consider the balance of skills, knowledge and experience as well as gender diversity of the whole Board and also consider the use of external consultants when drawing up a list of candidates.

The Board acting as the Remuneration Committee will consider, inter alia, market practice, peer group statistics and specific role requirements of the Company when determining remuneration levels of the Directors.

The Board also creates ad hoc Committees from time to time to enact policies or actions agreed in principle by the whole Board. Copies of the terms of reference for each of the standing committees are available on the Company's website.

Further information on the operations of the Company including the internal controls framework can be found in the Strategic Report and the Report of the Directors on pages 22 to 41 of the Annual Report.