



**Timeless Core Values | Sustainable Impact**  
*2012 Sustainability Report*



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“ HCN HAS EMBRACED  
THE FUNDAMENTALS OF  
SUSTAINABILITY EVEN BEFORE  
SUSTAINABILITY DEVELOPED INTO  
THE BUSINESS PHILOSOPHY AND  
DISCIPLINE THAT IT IS TODAY.”

—*George L. Chapman, CEO*



GEORGE L. CHAPMAN  
Chairman, Chief Executive Officer & President

## Letter from the CEO

Sustainability principles underpin everything Health Care REIT (HCN) does. The core of sustainability is a business model that is financially successful, consistent and resilient over time because it is intimately aligned with healthy environmental, institutional and social systems. Since its founding in 1970, HCN has embraced the fundamentals of sustainability even before sustainability developed into the business philosophy and discipline that it is today.

The company's dedication to environmental, institutional and social responsibility is expressed both in the company's strategy and in the daily execution of that strategy. Strategically, HCN is committed to best practices in care, design, and resource efficiency. HCN's corporate governance practices have been continuously improved to ensure accountability and deliver shareholder value. Operationally, HCN relentlessly advances the quality of its investments, the services offered by its operating partners and the professional development of its people. The company has never strayed from the bedrock principle that long-term profitability is inextricably linked with the fair, ethical and honorable treatment of business colleagues and partners.

This Sustainability Report formalizes the company's embrace of these timeless principles. The economic disruption and the landmark changes in REIT and health care law over the past several years have created unprecedented opportunities and growth for the company. As the company has grown, it has methodically implemented programs across all segments of the sustainability spectrum. Among other things, the company has promoted environmental programs at its headquarters facility and sustainable technology throughout its portfolio, employee wellness and volunteer programs, and critical community programs. The company is proud of its credentials, and it welcomes the intellectual rigor and operational challenge that a comprehensive sustainability program demands.

HCN is a world-class company immersed in health care with a mandate to maximize total shareholder returns on a relative and absolute basis. Our future success will require our ongoing commitment to excellence and continuous improvement. The sustainability discipline is a tool for driving and communicating continuous improvement.

Thank you for your interest in the company and the trust you have placed in our team. We strive every day to earn and reward that trust.

A handwritten signature in dark ink, appearing to be 'G. Chapman', written in a cursive style.



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HCN'S EXECUTIVE TEAM



Jeffrey H. Miller  
Executive Vice President—  
Operations & General Counsel



Scott A. Estes  
Executive Vice President &  
Chief Financial Officer



Charles J. Herman, Jr.  
Executive Vice President &  
Chief Investment Officer



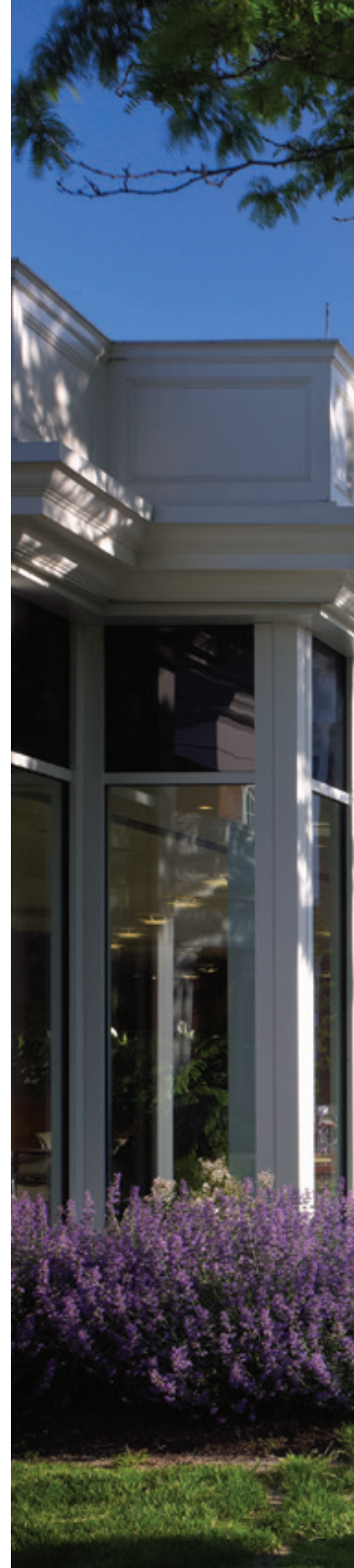
Scott M. Brinker  
Executive Vice President—  
Investments



Erin C. Ibele  
Senior Vice President—  
Administration &  
Corporate Secretary



Michael A. Crabtree  
Senior Vice President &  
Treasurer











*Business  
Summary*

# BUSINESS SUMMARY

HEALTH CARE REIT, INC. (NYSE: HCN) OPERATES WITHIN AN INDUSTRY THAT IS UNDERGOING PROFOUND CHANGE. HEALTH CARE IS TRANSFORMING RAPIDLY DUE TO THE CONFLUENCE OF WELL-DOCUMENTED AND POWERFUL SOCIAL, TECHNOLOGICAL, ECONOMIC, CLIMATE AND LEGISLATIVE CHANGES. THE FULL IMPACT OF THESE CHANGES IS STILL NOT WELL UNDERSTOOD.

In response to these tumultuous changes, HCN has implemented a thoughtful strategic plan anchored on the principle that maximizing total shareholder return requires (i) a corporate culture focused on entrepreneurship, excellence and performance and (ii) a well-balanced health care and seniors housing portfolio with the highest-quality facilities located in the strongest markets and operated by the best, most progressive operators and health systems. Sustainability initiatives that support these criteria play an integral role in shaping the company's culture and portfolio. This report is HCN's inaugural effort to document comprehensively these initiatives and to outline its future priorities in this arena.

This report has five sections.

**Section 1** summarizes HCN's business and describes important definitional matters referenced in the rest of the report.

**Section 2** details programs and initiatives HCN has undertaken to reduce its environmental impact on an absolute and relative basis and sets forth the measurements from its current environmental disclosure.

**Section 3** describes HCN's approach to governance and responsible corporate citizenship.

**Section 4** highlights HCN's focus on recruiting, retaining, and developing outstanding professionals who find meaning in their work and are both skilled and passionate about it.

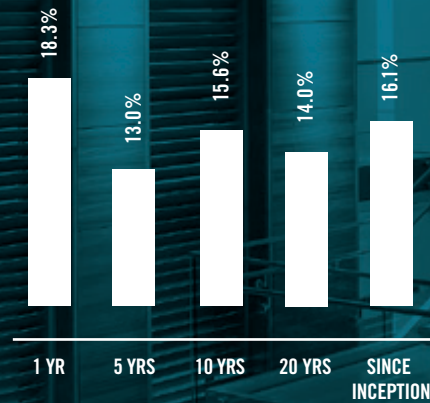
**Section 5** concludes the report with a summary of HCN's approach to developing sustainability goals for 2013 and beyond.

## 1.A / COMPANY AND INDUSTRY OVERVIEW

HCN is a real estate investment trust (“REIT”) founded in 1970 that has been at the forefront of seniors housing and health care real estate. HCN’s portfolio spans the full spectrum of seniors housing and health care real estate, including seniors housing communities, skilled nursing/post-acute facilities, medical office buildings, inpatient and outpatient medical centers and life science facilities.

HCN’s experienced investment and capital markets teams efficiently execute HCN’s real estate investment strategy, while advancing the objectives of its stakeholders. A robust portfolio management team focused on preserving and creating value in the portfolio complements the investment team. HCN’s in-house property management team, Management Services Group (“MSG”), provides property management services to a majority of HCN’s medical office building portfolio. Through Frauenshuh HealthCare Real Estate Solutions, HCN provides comprehensive planning and development services that allow HCN to develop and own state-of-the-art medical facilities with leading health systems. The company’s administrative team is dedicated to providing a best-in-class workplace environment.

### RETURNS SINCE INCEPTION\*



\* As of December 31, 2012

Since it was founded in 1970, Health Care REIT has generated a 16.1% average annual total return, including dividend reinvestment. In February 2013, the company paid its 167th consecutive dividend. The company’s dividend yield as of February 25, 2013 was 4.8%

## 1.B / HCN'S INVESTMENT SEGMENTS

HCN's business is comprised of three investment segments: seniors housing triple-net, seniors housing operating and medical facilities. As of December 31, 2012, HCN owned 1,025 high-quality assets in the United States and Canada. On August 22, 2012, HCN announced the acquisition of Sunrise Senior Living, which included 125 properties in the United States, Canada and the United Kingdom.

### 1.B.1 Seniors Housing Triple-Net

HCN's seniors housing triple-net portfolio consists of properties leased to operators under absolute net leases, which are generally long-term master leases that cover multiple facilities. These leases include independent living facilities, continuing care retirement communities, assisted living facilities, Alzheimer's/dementia care facilities, skilled nursing/post-acute facilities and combinations thereof.

### 1.B.2 Seniors Housing Operating

HCN's seniors housing operating portfolio is comprised of communities owned and operated under the structure authorized by the REIT Investment Diversification and Empowerment Act of 2007, commonly referred to as a "RIDEA" structure. In this structure, a qualified REIT subsidiary ("PropCo") that is owned or controlled by HCN owns the real estate. A taxable entity in which HCN has an interest owns the operating business ("OpCo") and leases the facility from PropCo. In many cases, HCN's operating partner also holds an interest in the OpCo. An eligible independent contractor ("EIK") manages the community under a management agreement with the OpCo.

The EIKs are operators with whom the company has established a relationship. In 2012, HCN had relationships with 8 operators to own and operate 154 facilities (plus 39 facilities in an unconsolidated joint venture).

## Seniors Housing Types

HCN's Seniors Housing portfolio spans the full spectrum of seniors housing and care services. The different types of facilities and communities are described below.

### Independent Living Facilities

Independent living facilities are age-restricted, multifamily properties with central dining facilities that provide residents access to meals and other services such as housekeeping, linen service, transportation and social and recreational activities.

### Continuing Care Retirement Communities

Continuing care retirement communities typically include a combination of detached homes, an independent living facility, an assisted living facility and/or a skilled nursing facility on one campus. These communities appeal to residents because there is no need to relocate when health and medical needs change.

### Assisted Living Facilities

Assisted living facilities are state regulated rental properties that provide the same services as independent living facilities, but also provide supportive care from trained employees to residents who require assistance with activities of daily living, including, but not limited to, management of medications, bathing, dressing, toileting, ambulating and eating.

### Alzheimer's/Dementia Care Facilities (Memory Care)

Certain assisted living facilities may include state licensed settings that specialize in caring for those afflicted with Alzheimer's disease and/or other types of dementia.

### Skilled Nursing/Post-Acute Facilities

Skilled nursing/post-acute facilities are licensed facilities in which the majority of individuals require 24-hour nursing and/or medical care. All facilities offer some level of rehabilitation services.



Denton Exterior Entrance

### 1.B.3 Medical Facilities

HCN's medical facilities portfolio includes medical office buildings, hospitals and life science facilities. Typically, these facilities have multiple tenants, with HCN providing varying levels of property management.

Most of the medical office buildings are strategically located either on the campus of a health system or close to the customers in suburban areas that are experiencing the greatest population growth. In 2012, approximately 92% of HCN's medical office portfolio had affiliations with health systems. The buildings are located on a hospital campus or serving as satellite locations for the health system and its physicians. To provide a convenient, one-stop venue, medical office buildings typically combine a variety of complementary services, including surgical, diagnostic and wellness services. In 2012, HCN had a sector-leading occupancy rate of 94.4% and an annual tenant retention rate of 82% in its medical office buildings.

### Medical Facilities Types

#### Medical Office Buildings

The medical office building portfolio consists of health care related buildings that generally include physician offices, ambulatory surgery centers, diagnostic facilities, outpatient services and/or labs.

#### Hospitals

Hospitals include acute care hospitals, inpatient rehabilitation hospitals and long-term acute care hospitals. Acute care hospitals provide a wide range of inpatient and outpatient services, including, but not limited to, surgery, rehabilitation, therapy and clinical laboratories. Inpatient rehabilitation hospitals provide inpatient services for patients with intensive rehabilitation needs. Long-term acute care hospitals provide inpatient services for patients with complex medical conditions that require more intensive care, monitoring or emergency support than is available in most skilled nursing facilities.

#### Life Science Facilities

In 2012, the life science portfolio consisted of laboratory and office facilities specifically designed and constructed for use by biotechnology and pharmaceutical companies. These facilities are located adjacent to The Massachusetts Institute of Technology, which is a well-established market known for pharmaceutical and biotechnology research. These buildings are unique because they possess advanced HVAC (heating, ventilation and air conditioning), electrical and mechanical systems.

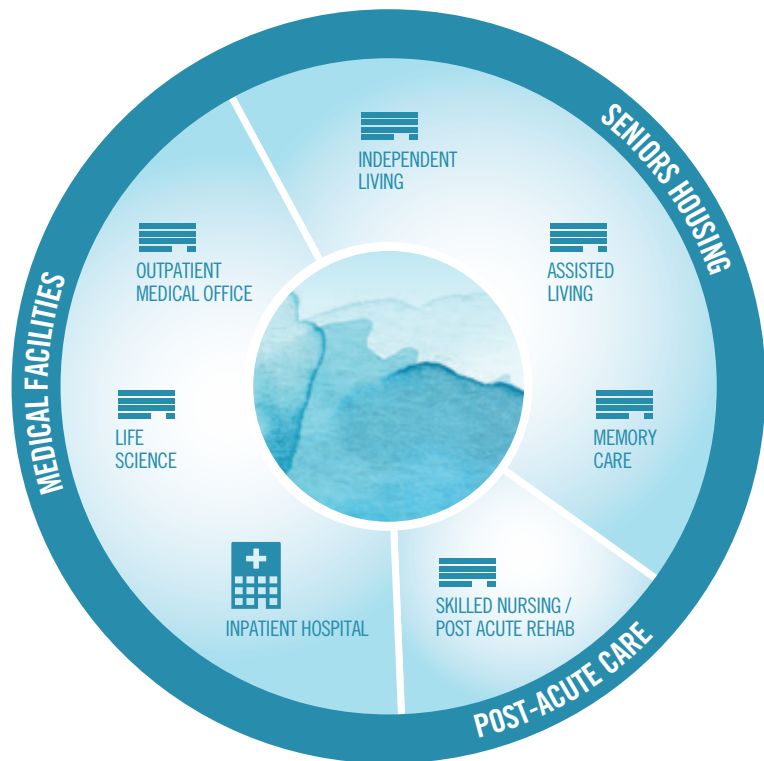
Brandywine Senior Living  
at Governors Crossing  
Englishtown, NJ





## CONTINUUM OF CARE

HCN's portfolio is diversified across the health care continuum. Diversification increases the stability and consistency of the company's cash flows. It also provides a platform to create referral relationships between providers across the continuum with the goal of increasing quality and lowering the cost of care.





## 2012 Achievements:

- \* Investments with existing customers were approximately 76% of total investments in 2012.
- \* HCN completed and announced over \$8 billion of gross investments including expansion into Canada and the United Kingdom.
- \* MSG ranked in the top 5% in the Kingsley Tenant Satisfaction Index and in the top 10% in Satisfaction with Property Management.
- \* HCN partners with the Best of the Best. 68% of the Assisted Living Federation of America Best of the Best 2012 award winners were HCN operators.

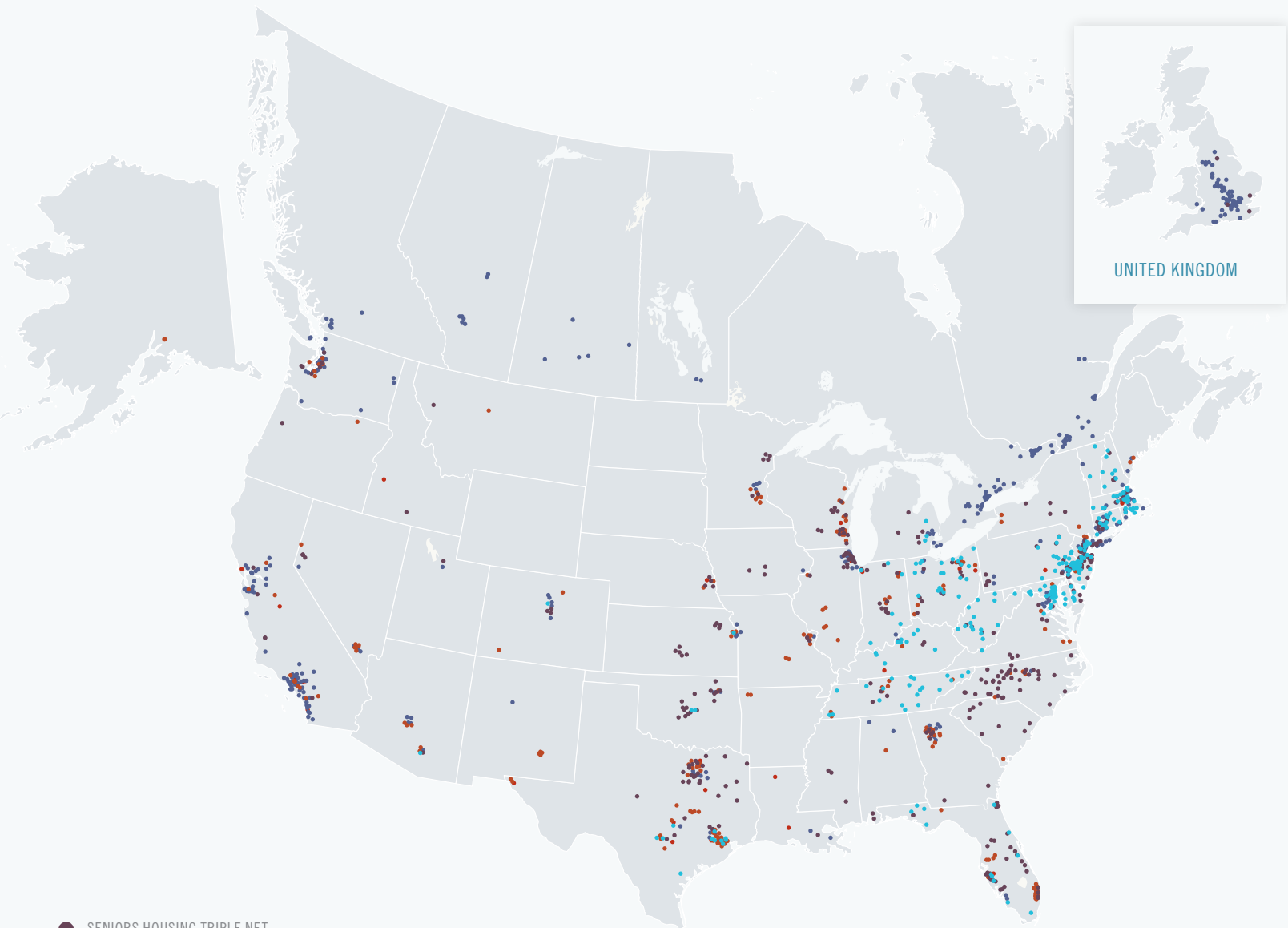
## 1.C / A FOCUSED STRATEGY DELIVERING GROWTH

HCN believes that its strategic, disciplined investment approach is producing strong, predictable internal and external growth and consistent, resilient results. HCN's portfolio is concentrated in affluent, infill locations on the east and west coasts and Top 31 metropolitan statistical areas. These markets have significantly higher average home values and household incomes, which leads to rental rates and net operating income per unit in excess of industry averages. In addition to high-quality locations, HCN focuses on acquiring modern, purpose-built facilities operated by the best operators and health systems that deliver consistent NOI growth and resilience during all economic cycles.

HCN seeks to partner with leading operators and health systems that have proven their ability to deliver better care outcomes and value to residents and patients. HCN executes this strategy through its extensive and deep industry relationships. The company has earned a reputation as the financial partner of choice in the sector because of its value-add programs and its long track record as a fair and ethical financial partner. These relationships provide a predictable pipeline of future investment opportunities.

As a REIT, HCN has practical and legal limitations on its ability to make short-term investments. HCN typically uses a 15-year time horizon when it evaluates investments. Sustainability criteria are therefore an important component of its investment decisions.





- SENIORS HOUSING TRIPLE NET
- SKILLED NURSING/POST-ACUTE
- MEDICAL OFFICE
- SENIORS HOUSING OPERATING
- HOSPITAL
- LIFE SCIENCE

---

HCN'S IMPACT EXTENDS TO  
EMPLOYEES, BUSINESS PARTNERS,  
TENANTS, RESIDENTS, PATIENTS  
AND THE COMMUNITY AT LARGE.



**90%**  
PHILANTHROPIC EMPLOYEE  
PARTICIPATION IN UNITED WAY



**166**  
CHARITABLE ORGANIZATIONS  
SUPPORTED, FOCUSED ON THE ARTS,  
EDUCATION AND HEALTH CARE

★ **68%**  
OF THE ASSISTED LIVING  
FEDERATION OF AMERICA  
BEST OF THE BEST 2012  
AWARD WINNERS WERE  
HCN OPERATORS



**4**  
2012 LEED  
CERTIFICATIONS



**44**  
ENERGY STAR  
CERTIFIED  
BUILDINGS



**94.4%**  
OCCUPANCY OF MEDICAL  
OFFICE BUILDINGS



**82%**  
TENANT RETENTION RATE

MSG RANKED  
**TOP 5%**  
IN THE KINGSLEY  
TENANT SATISFACTION  
INDEX



**78,000**  
SENIORS HOUSING  
RESIDENTS PER YEAR\*



**46,000**  
SENIORS HOUSING  
HEALTH CARE  
PROFESSIONALS\*

**16.1%**  
AVERAGE ANNUAL  
SHAREHOLDER  
RETURN \*\*



**368** CORPORATE  
EMPLOYEES



**11,800,000**  
MOB PATIENT VISITS  
PER YEAR\*



**40,000**  
MOB HEALTH CARE  
PROFESSIONALS\*

**259** MEDICAL OFFICE  
BUILDINGS



**1,266** HCN TENANTS

SENIORS HOUSING



**573**  
TRIPLE NET  
COMMUNITIES



**193**  
OPERATING  
COMMUNITIES

\* Estimated

\*\* Since inception, as of December 31, 2012

## 1.D / HCN AND SUSTAINABILITY IMPACT: CONTROL AND INFLUENCE

HCN's approach to sustainability with respect to its seniors housing triple net, seniors housing operating and medical facilities portfolios differs based on HCN's level of influence over the operations in each segment. In most of its medical facilities, HCN has operational control. On the other hand, third parties exercise operational control in its seniors housing triple net and seniors housing operating portfolios. In the latter case, HCN has limited control of assets, thereby limiting its ability to directly implement and manage sustainability programs and their impact. However, HCN utilizes a number of approaches to engage and work with tenants and operators to reduce costs and improve environmental performance. Table 1.1 illustrates HCN's level of operational control over various segments of its portfolio.

### 1.D.1 HCN Control Definitions

**Operational Control:** As the sole owner and occupant of HCN's corporate headquarters building and the sole tenant of its corporate office suites, HCN has operational control over the activities in these spaces.

**Split Control:** In facilities managed by MSG, the company has operational control over building systems and common area spaces, but does not dictate the activities of tenants within leased areas. However, HCN does have the opportunity to influence tenants with respect to sustainability initiatives.

**Limited Influence:** In those facilities that HCN owns, but third parties wholly lease or manage, the company has no operational control. In those cases, HCN has limited influence over the operator or health system and their implementation and management of sustainability initiatives.

**Influence:** In those facilities that comprise the company's seniors housing portfolio, HCN does not dictate the activities of the community managers. However, through proactive engagement with the managers, the company can influence their implementation of sustainability efforts.

**TABLE 1.1 HCN LEVEL OF CONTROL (AS OF DECEMBER 31, 2012)**

	CORPORATE HEADQUARTERS	MEDICAL FACILITIES	SENIORS HOUSING TRIPLE-NET	SENIORS HOUSING OPERATING
Portfolio Revenue	NA	22%	39%	39%
Property Count	1*	259**	573	193
Property Size (Avg. SF)	145,212	67,309	68,558	111,836
Control Type	Operational Control	Split Control: 158 Properties Limited Influence: 101 Properties	Limited Influence	Influence

\* HCN rents additional office space in Jupiter, FL, Minneapolis, MN, Nashville, TN, and Newport, CA

\*\* Includes medical office, life science, and hospital buildings

### 1.D.2 Reporting Boundaries

HCN developed this report based on the Global Reporting Initiative (“GRI”) standards. It covers the period from January 1, 2012 through December 31, 2012. In addition, HCN responded to stakeholder requests for transparent reporting via the Carbon Disclosure Project and the Global Real Estate Sustainability Benchmark surveys. HCN selected relevant and important topics for coverage in this report through a process that included internal stakeholders, external sustainability experts and the evaluation of key issues from the relevant sustainability surveys.

As noted in Table 1.1, HCN has split control over 158 buildings in its medical facilities portfolio and operational control of its corporate headquarters. Environmental metrics, such as energy consumption and greenhouse gas emissions, are limited to the sites that fall within the operational control boundary as defined by the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition). This report also discusses HCN’s efforts to improve sustainability impact across all of its assets, including those where it has limited influence of operational control.

HCN will report annually on sustainability activities and progress. Investor feedback is welcome. Please send questions or comments to [sustainability@hcreit.com](mailto:sustainability@hcreit.com).





*Our Drive for  
Environmental  
Improvements*

# OUR DRIVE FOR ENVIRONMENTAL IMPROVEMENTS

HCN IS COMMITTED TO COST-EFFECTIVE, SUSTAINABLE DEVELOPMENT AND OPERATIONAL PRACTICES. THE COMPANY FOCUSES ON FIVE ENVIRONMENTAL PRIORITY AREAS (I) REDUCING ITS CARBON FOOTPRINT, (II) WATER CONSTRAINTS, (III) INDOOR AIR QUALITY, (IV) WASTE MANAGEMENT AND (V) MATERIALS SELECTION.

## 2.A / HCN'S SUSTAINABILITY PROGRAMS

HCN has developed a variety of programs to minimize environmental impact including (i) the adoption of sustainable building practices, (ii) proactive energy management initiatives, (iii) green cleaning practices to sustain more healthful work environments, (iv) robust recycling programs and (v) tenant-focused sustainability outreach.

### 2.A.1 Sustainable Building Practices

HCN employs best practices such as LEED® and ENERGY STAR® to guide its investments in sustainable building development and renovation. The company uses environmentally friendly materials and equipment, such as low volatile organic compound paints and energy and water-efficient technologies. For properties that are not under HCN's direct control, the company teams with the controlling party to encourage sustainable building practices. In the case of new developments, the company, in appropriate cases, provides additional funding for energy saving features that provide long-term operational benefits.

### 2.A.2 Proactive Energy Management Programs

HCN has an energy procurement and management program that focuses on energy measurement and benchmarking. The company invests in building envelope upgrades, HVAC upgrades, system commissioning, energy management systems and lighting upgrades.

HCN also utilizes an online energy dashboard to monitor in real time energy consumption in 28% of facilities managed by MSG and monthly invoice data to monitor the remainder of consumption. Monitoring allows the company to identify and address unexpected increases in energy consumption, to measure the impact of energy reduction initiatives and to identify additional opportunities to reduce consumption. In [Section 2.D](#), the company describes the Biltmore Medical Facility, a property the company retro commissioned to reduce energy consumption by 23%.

ENERGY MANAGEMENT	
HIGHLIGHTED ACTIONS	NUMBER OF PROPERTIES
Energy Management Systems	24
Lighting Retrofits	11





#### 2.A.3 Green Cleaning Practices to Sustain More Healthful Work Environments

HCN limits exposure to potentially hazardous chemical, biological and particulate contaminants, which adversely affect indoor air quality, human health, building finishes and systems and the environment. In the company's owned and managed medical office buildings, MSG has implemented green cleaning practices that support the use of environmentally friendly products.

#### 2.A.4 Recycling Programs

HCN has a robust recycling program in its corporate offices and most of the company's operationally controlled buildings. In its headquarters, the janitorial staff sorts recyclables from trash in an on-site facility to ensure HCN diverts the maximum amount of material from landfills.

#### 2.A.5 Tenant-Focused Sustainability Programs

In the seniors housing portfolio, HCN's Executive Forum provides the opportunity for the company and its business partners to share sustainability best practices. [Section 3.D.1](#) describes the program.

In HCN's medical office building portfolio, the company's Green Arrow program provides rent incentives to tenants who incorporate energy-efficient and sustainable features into renovation and construction projects. Through the program, HCN's property managers educate building tenants on issues of sustainability, recycling and renewable energy. During 2012, the company surveyed its medical office buildings to obtain critical information regarding existing waste management and recycling programs. The company intends to utilize this data to pursue further improvements to the program.

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#### Mike Noto Senior Vice President, MSG

"HCN's Management Services Group lives by its four service pillars: rapid responsiveness, reliable results, can-do attitude and proactive communication. These principles drove the development of the Green Arrow program. It creates the opportunity for a dialogue between HCN and its tenants that produces positive results for all involved. Our team is able to demonstrate the value we bring to health care providers and enhance the company's sustainability program."

## 2.B / LEADERSHIP, AWARDS AND CERTIFICATIONS

During 2012, HCN received four LEED® certifications including:



New Construction (Silver) at Paramount Senior Living in Peters Township, Pennsylvania



New Construction (Gold) for the company's North Wing headquarters' project in Toledo, Ohio



Pre-Certified Neighborhood Development (Silver) for a project in Nashville, Tennessee

HCN continues to grow its ENERGY STAR® partnership and outreach program, adding 19 buildings to the company's ENERGY STAR® certified assets in 2012.

As of December 31, 2012, HCN had 48 buildings in its portfolio certified through LEED® or ENERGY STAR®, representing 5% of the company's total portfolio and 30% of its operationally controlled portfolio. HCN also participates in an industry-wide effort to improve environmental performance through its membership in NAREIT's "Leader in the Light" working group.



## 2.C / DAILY SUSTAINABILITY IN PRACTICE HCN'S CORPORATE HEADQUARTERS

HCN's corporate headquarters demonstrates the company's commitment to implementing the best sustainable building practices and providing the highest quality work environment for employees. The facility is LEED® Platinum certified. The project involved the redevelopment of a landmark Toledo campus, which the company acquired in order to create a state-of-the-art office for its growing team. The facility possesses a number of green building features including a 250kW photovoltaic solar array that covers 1.6 acres and produces approximately 20% of the building's annual electricity requirement; a green roof; daylight harvesting; a building automation system; Forest Stewardship Council certified wood products; and water management features. The project also achieved a 77% waste diversion rate and utilized over 30% of materials from local sources.

With the sustained growth of HCN's business, the need to renovate an additional portion of the company's corporate campus became necessary. The company's in-house project team led the renovation of the North Wing. This project received LEED® Gold certification.

The 'LEED® Certification Mark' is a registered trademark owned by the U.S. Green Building Council, which granted permission for its use.





Biltmore Medical Facility  
Phoenix, AZ

## 2.D / DAILY SUSTAINABILITY IN PRACTICE BILTMORE MEDICAL FACILITY, PHOENIX, AZ

Constructed in 1998, Biltmore Medical Facility is a 4-story, 152,600 square foot building located in Phoenix, Arizona. In 2010, HCN partnered with a local utility company to identify energy efficient retrocommissioning opportunities. The assessment identified an opportunity to reduce significant energy consumption through the installation of green technology. HCN completed the work in 2012, which resulted in a 23% reduction in energy consumption during the first six months of operations. In addition to the environmental benefits, the initiative has improved financial performance and tenants have expressed higher satisfaction.

TABLE 2.1  
BILTMORE ENERGY USAGE (kWH)



## 2.E / DAILY SUSTAINABILITY IN PRACTICE GENESIS POWERBACK OF VOORHEES, VOORHEES, NJ

Genesis Health Care is a strategic skilled nursing/post-acute operating partner. In 2012, Genesis and HCN developed PowerBack of Voorhees, a cutting-edge, post-acute rehabilitation center in Voorhees, New Jersey. PowerBack, named to signify the rehabilitative powers of the facility where people “get their power back” is a new concept developed by Genesis.

The 86,000 square foot, 124 private room building features high-quality amenities tailored to the patient population and the latest rehabilitation equipment to service the needs of short-stay patients. The PowerBack concept specializes in delivering a high-quality, patient-centric, short-term care model to get patients home quickly and safely.

Working with HCN’s team, Genesis incorporated energy-saving features designed to reduce ongoing operating expenses and provide environmental benefits. The building features high-efficiency solar windows, LED lighting, heat-recovery systems, a geothermal well system and a high-efficiency commercial laundry.

PowerBack of Voorhees has exceeded all expectations. The facility is ahead of budget for new admissions, and the energy-saving features are delivering a strong return on investment. Genesis and HCN are developing additional PowerBack facilities utilizing the same green technologies.

The facility is part of a larger investment that HCN made in the Voorhees, New Jersey market, called the “Medical Mile.” Within less than a mile, HCN and its operating partners have developed three different facilities: (i) a high-quality assisted living and dementia care facility with Brandywine Senior Living, (ii) a medical office building connected to the new Virtua Voorhees hospital with Virtua Health and (iii) PowerBack, the Genesis post-acute skilled nursing facility. The three facilities create a virtual continuum of care in the market. The common relationship with HCN has led to cooperation between Brandywine, Virtua and Genesis that improves quality of care and creates additional value.

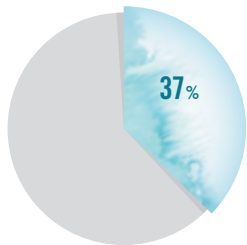


PowerBack of Voorhees  
Voorhees, NJ

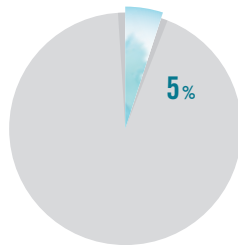
## 2.F / ENVIRONMENTAL METRICS

### ENERGY AND CARBON DATA

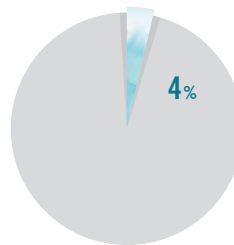
HCN scored an impressive 88 out of 100 as a first time responder to CDP for its 2012 carbon disclosure. The boundary for HCN's environmental disclosure is discussed in [Section 1.D.2](#).



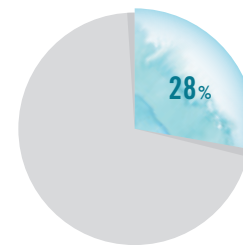
Buildings participating in ENERGY STAR® benchmarking as a percentage of all buildings in HCN's portfolio\*



Certified buildings as a percentage of total buildings in HCN's portfolio\*



Certified building square footage as a percentage of total building square footage in HCN's portfolio\*



Certified building square footage as a percentage of total control boundary building square footage

19\*  
BUILDINGS ENERGY STAR®  
CERTIFIED IN 2012

379\*  
BUILDINGS PARTICIPATING IN  
ENERGY STAR® BENCHMARKING

### CERTIFIED BUILDINGS

AS OF DECEMBER 31, 2012



44\*



4

\* Includes both buildings under operational control and not under operational control.





In 2012, HCN purchased more than 1.25 million kilowatt hours of renewable energy credits avoiding carbon emissions equal to planting 22,614 trees.



**TABLE 2.3 ELECTRICITY USAGE (KWH)**

Corporate	2,315,056
Medical Office Buildings	209,514,826
<b>Total</b>	<b>211,829,882</b>



**TABLE 2.4 NATURAL GAS USAGE (THERM)**

Corporate	72,908
Medical Office Buildings	972,392
<b>Total</b>	<b>1,045,300</b>



**TABLE 2.5 GREENHOUSE GAS EMISSIONS DATA<sup>1, 2, 3, 4</sup>**

2012 EMISSIONS DATA	SCOPE 1 (metric tons CO2e)	SCOPE 2 (metric tons CO2e)	SCOPE 3 (metric tons CO2e)
Corporate Operations	388	1,555	-
Medical Office Buildings	5,168	116,817	-
Travel Emissions	109 (Vehicle Fleet)	-	1,135 (Business Travel and Employee Commute)
<b>Total</b>	<b>5,665</b>	<b>118,372</b>	<b>1,135</b>



**TABLE 2.6 CARBON INTENSITY**

13.56 MT CO2e / sq. ft.



<sup>1</sup> The majority of underlying data for the greenhouse gas inventory is housed in a comprehensive third party utility expense management database, which is supplemented by ENERGY STAR® Portfolio Manager data, direct bills, energy consumption modeling, and other activity data surrounding travel and vehicle fleet usage.

<sup>2</sup> HCN has established 2012 as its base year for measuring future improvements in greenhouse gas emissions.

<sup>3</sup> The greenhouse gas emissions data is in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition). Additional emissions guidance included the Climate Registry: General Reporting Protocol, the US EPA Climate Leaders: Direct Emissions from Mobile Combustion Sources and global warming potentials from the IPCC Second Assessment Report.

<sup>4</sup> Limited Assurance third party verification of the greenhouse gas data was completed by Point 380.





### 2.F.1 / Water Consumption Data

Increased demand for water, combined with droughts and aging water infrastructure that requires updates and investments, have driven increases in water rates. As a result, tracking water consumption is becoming increasingly strategic for building managers and occupants. Table 2.7 shows water consumption data at HCN's operationally controlled medical office buildings and seniors housing communities where HCN's partners voluntarily shared utilization data. HCN continues to encourage partners to disclose water consumption data.

TABLE 2.7 WATER USAGE			
BUILDING TYPE	WATER CONSUMPTION (gallons)	BUILDINGS REPRESENTED	NOTES
Medical Office	221,113,000	115	HCN has split control over 158 medical office buildings. Reliable water data is available for 73% of these sites.
Seniors Housing	160,085,000	47	While HCN has limited influence over seniors housing facilities, it does encourage partners to participate in the ENERGY STAR® benchmarking program that encompasses water consumption.
Total	381,198,000	162	







*Corporate  
Governance*





03

# CORPORATE GOVERNANCE

ACCOUNTABILITY FOR CREATING SHAREHOLDER VALUE WITH THE HIGHEST LEVEL OF INTEGRITY AND COMPLIANCE IS THE ULTIMATE OBJECTIVE OF EFFECTIVE CORPORATE GOVERNANCE. HCN IS COMMITTED TO CORPORATE GOVERNANCE THAT REFLECTS BEST PRACTICES AND THE HIGHEST LEVEL OF BUSINESS ETHICS.

## 3.A / HCN'S BOARD OF DIRECTORS

As a result of shareholder engagement efforts, HCN has adopted the following significant corporate governance policies and practices that in the judgment of HCN's management and Board of Directors (the "Board"), reflect the current consensus regarding best corporate governance practices:

- Significant majority of independent directors
- Annual election of all directors
- Diverse Board (as to gender and experience)
- Majority voting for directors
- Annual Board and committee self-evaluation
- One-half of Board retainer compensation is in company shares
- Minimum shareholding requirement for directors
- Disclosure committee approve financial reporting and SEC filings
- Required nominating committee approval for any related-party transactions
- Succession planning for both management and Board

Current copies of HCN's Corporate Governance Guidelines and Committee Charters are available at [ir.hcreit.com](http://ir.hcreit.com).

## 3.A.1 / Board Committees

The Board has six standing committees: audit, compensation, executive, investment, nominating/corporate governance and planning. HCN's long-standing policies and practices for strong, independent oversight include:

- A Board with a high degree of independence, including only two non-independent members
- Major Board committees (audit, compensation, nominating/corporate governance) that are composed entirely of independent directors
- Regular executive sessions attended only by independent directors
- The ability of the independent directors to call meetings of the Board and recommend agenda topics to be considered by the Board
- An independent lead director with oversight responsibility for executive sessions and information flow to the Board



### 3.A.2 / Evaluation and Education

Each year, the Board evaluates its performance based on criteria that it has determined are important to its success. Topics considered during these evaluations may be one or more of the following: financial oversight, succession planning, executive compensation, strategic planning, corporate governance, ethics and compliance and Board structure and role. The Board then reviews the results of the evaluation and identifies steps to enhance its performance.

The Board also conducts evaluations of its committees annually. The Board reviews the results of these evaluations, and agrees upon further enhancements for each committee.

### 3.A.3 / Direct Access

Key senior managers regularly attend Board meetings. Members of management who are most knowledgeable about the issue at hand, irrespective of seniority, present to the Board. An open and informal environment allows dialogue between directors and management.

The Board also has direct access to management and other employees outside the boardroom, frequently without the CEO present. This creates a healthy dynamic between the Board and management. Senior managers often contact Board members directly regarding various matters of interest.

### 3.A.4 / Cultural Integration

To ensure that corporate governance and broader sustainability issues are well integrated into the organization's daily activities, two executive-level positions, Executive Vice President —Operations & General Counsel and Senior Vice President —Administration and Corporate Secretary, are responsible for overseeing corporate governance, as well as environmental and social matters, and reporting on these matters to the Board. These executives are also responsible for providing all employees with information about HCN's governance program and overseeing annual ethics training.

HCN distributes its Code of Business Conduct and Ethics to all employees, which addresses key corporate concerns including, but not limited to:

- Ethics
- Conflicts of interest
- Gifts, bribes and kickbacks
- Information security and company records
- Competitive information
- Fair competition and antitrust laws
- Securities trading
- Political contributions
- Harassment

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## CORPORATE GOVERNANCE: A FOUNDATION FOR SUCCESS

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“ HCN RECEIVED THE HIGHEST RANKING AMONG HEALTH CARE SECTOR REITS AND THE SECOND HIGHEST OVERALL RANKING IN GREEN STREET ADVISOR’S ANNUAL CORPORATE GOVERNANCE RANKINGS.”

—*Green Street Advisors*

### 3.B / COMPENSATION

HCN designed its executive compensation program to link compensation to the achievement of HCN's annual and long-term financial and strategic goals. HCN's stock compensation aligns management and shareholder interests by encouraging long-term shareholder value creation. All HCN directors and executives hold stock to ensure this alignment. This ensures the continued implementation of a robust sustainability program.

### 3.C / RISK MANAGEMENT

Risk management at all levels is central to corporate governance and financial success. HCN takes a systematic approach to identifying and managing risk across investments, operations, governance, social and environmental issues.

#### 3.C.1 / Enterprise Risk Management

At the highest level, the Board reviews HCN's policies and practices with respect to risk assessment and risk management. The Board partners with leaders across the business to develop plans to mitigate risk, implement controls and adopt best practices. The Senior Vice President and Treasurer, who serves as the executive sponsor of HCN's Enterprise Risk Management Committee, or the Vice President, Internal Audit, reports on enterprise risk management efforts to the Board. Management also reviews and reports on other potential areas of risk at the request of the Board.



#### 3.C.2 / Discussion of Portfolio Risk Management

HCN's core work processes are designed to identify and manage risk. Portfolio risk management begins during investment underwriting. The company's due diligence process includes market research, financial analysis, physical assessments and analysis regarding the quality of the tenant. It includes expert third-party reviews including, but not limited to, environmental and appraisal reports. HCN's in-house property inspection team conducts a property condition assessment of substantially all properties prior to acquisition and performs follow-up assessments on a regular basis. Throughout its ownership cycle, the company invests in properties to maintain strong and sustainable asset performance.

In response to the increasing frequency and intensity of natural disasters, the company has placed greater emphasis on the internal controls and processes that protect all of the company's stakeholders. HCN tracks and manages carefully the resulting changes to insurance rates and coverage. Additionally, patients and residents in HCN properties have medical needs that require uninterrupted power and water utility services. Across the industry, health care providers undergo rigorous planning to prepare for any interruption to business operations.





### 3.D / CORPORATE CITIZENSHIP

HCN strives to build a world-class organization based on principles of corporate citizenship. HCN considers the following as the fundamental measures of corporate citizenship: governance, financial responsibility, stakeholder engagement, people and performance programs, societal impact, community investment and environmental impact. Most of these measures are discussed in other sections of this report. The remainder of this section focuses on HCN's efforts to improve the social networks and communities in which it operates and its stakeholder engagement.

#### 3.D.1 / HCN's Executive Forum Encourages Sustainable Practices

HCN's Executive Forum is a value-add program that helps the company maintain strong relationships with strategic partners. Through the Executive Forum, HCN's largest seniors housing partners participate in periodic group meetings to discuss how to enhance operational effectiveness and patient care. Recent topics have included group purchasing to reduce costs, ENERGY STAR® building certification and caregiver screening and training best practices.

The program has produced significant results. HCN's partners have adopted best practices from each other and worked with HCN to develop energy management programs. HCN is tracking the resulting cost savings and energy reductions. As another example, the Executive Forum regarding caregiver training led to the adoption of lift education programs to prevent employee injuries.

### 3.D.2 / Community Investment

In 2012, HCN supported 166 charitable organizations focused on the arts, education and health care. In addition, HCN provided contributions to its business partners' employee assistance funds to provide support in times of need.

Some of the organizations benefiting from HCN's charitable giving are:



*Inspiring and Connecting Thoughtful Giving*



HCN is a long-time supporter of the arts. In 2012, HCN was the Toledo Museum of Art's largest corporate supporter. HCN created a learning series with the museum to promote employee engagement and the development of visual literacy skills.

### 3.D.3 / HCN's United Way Campaign

HCN's Human Resources Manager Fran Wainer looks forward to HCN's annual United Way Campaign. "Our employees deeply care about the communities they live in," says Wainer. "Our annual campaign is an opportunity for all employees to make a difference and for HCN to demonstrate that commitment. The generosity of HCN and our people never ceases to inspire me."

Since the program began 17 years ago, the HCN family has consistently increased the overall amount of its donation, the number of donors, and overall community engagement. HCN's employees sit on several of the United Way of Greater Toledo's affiliated boards and are active board members and volunteers on other unaffiliated, leading non-profit organizations including: Boys & Girls Clubs, Junior Achievement, the American Red Cross, the Toledo Lucas County Public Library, the Juvenile Diabetes Research Foundation, Toledo Museum of Art and Susan G. Komen of Northwest Ohio.

Under Wainer's leadership, HCN makes every effort to ensure that the annual United Way campaign is fun and engaging. "We have a lot of driven people here, so a little good-natured competition inspires some pretty fantastic giving," says Wainer. Employees often support their colleagues by directing funds to charities where they actively volunteer. HCN offers a match for every employee donation.

Wainer says the strongest driver of HCN's United Way program is an ubiquitous, sincere desire to make a difference. "Our company has grown significantly over the past several years. While HCN has enjoyed success, we've watched other community members struggle during the recent recession. Employees at every level of HCN have increased giving. I believe they want to share our success with the community."

HCN's management team believes the company's philanthropy is an extension of HCN's relationship investing philosophy. Senior management is actively involved on community boards and generously donates to local programs. Notably, CEO George Chapman co-chairs the United Way Tocqueville Society, which recognizes local philanthropic leaders and volunteer champions.



**Fran Wainer**  
Human Resources Manager,  
Health Care REIT

"Our annual campaign is an opportunity for all employees to make a difference and for HCN to demonstrate that commitment. The generosity of HCN and our people never ceases to inspire me."

**HCN has achieved a consistent employee participation rate of over 90% since 2006.**

**In 2012, there was an increase in giving of more than 30% across the company.**





*HCN's  
Commitment  
to People and  
Performance*



# HCN'S COMMITMENT TO PEOPLE AND PERFORMANCE

A GREAT CULTURAL AND WORK ENVIRONMENT OFFERS EMPLOYEES THE OPPORTUNITY TO MAXIMIZE THEIR POTENTIAL. HCN'S MANAGEMENT TEAM BELIEVES SUCH AN ATMOSPHERE IS CRUCIAL TO MEETING THE LONG-TERM EXPECTATIONS OF THE COMPANY'S STAKEHOLDERS. TO FOSTER PERSONAL AND ORGANIZATIONAL GROWTH, HCN HAS DEVELOPED PROGRAMS TO PROVIDE OPPORTUNITIES FOR INDIVIDUALS AT ALL LEVELS TO THRIVE AND CONTRIBUTE TO THE BUSINESS.

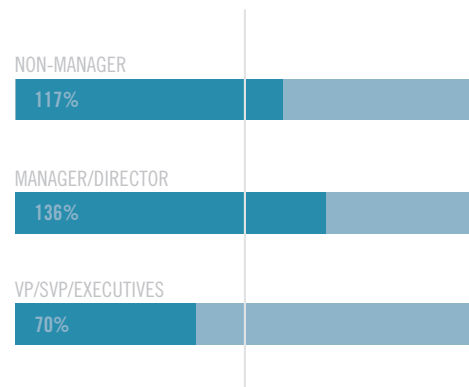
HCN's people are among the most knowledgeable in the health care real estate sector. Their knowledge, across the health care continuum, enables them to make connections that lead to superior results to shareholders, health care professionals and the patients and residents served.

## 4.A / COMPENSATION AND BENEFITS

HCN offers a compensation plan that includes competitive salaries, performance-based incentives and a comprehensive benefits package. HCN offers medical, dental, vision, life and accidental death (AD&D) insurance benefits to full-time employees. HCN's Toledo-based employees have access to an onsite wellness center. All employees can receive reimbursement for memberships to off-site health and fitness centers. Additionally, all employees are eligible for tuition reimbursement. Both full and part-time employees are eligible for 401(k) retirement benefits with a company match. As of the December 31, 2012, 83% of employees participated in this benefit.

## COMPENSATION PARITY

● MEN  
● WOMEN



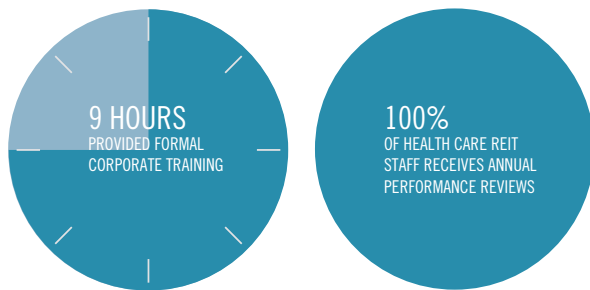
GRI Indicator  
G4-LA13

#### 4.B / LEARNING AND DEVELOPMENT

HCN provided an average of nine hours of formal professional development training per employee on business acumen, manager development, communication effectiveness and technical skills in 2012. The company began developing a training tool known as the “Learning Map” that helps employees understand how all parts of the business work and function together, and how their individual efforts contribute to overall corporate success. During three-hour sessions, the Learning Map uses illustrations, data and small group dialogue to teach employees how different divisions of the company connect.

HCN’s annual performance review process also creates formal opportunities to focus on development. All employees receive annual performance reviews. In addition, employees receive formal and informal manager feedback throughout the year. The company actively encourages employees to pursue continuing education and offers a tuition reimbursement program.

#### EMPLOYEE TRAINING & REVIEWS



#### 4.C / PROMOTING DIVERSITY

HCN is an equal employment opportunity employer and does not discriminate on the basis of race, color, religion, sex, age, national origin, marital status, sexual orientation, veteran status, physical or mental disability or any other classification protected by federal, state, or local law. HCN is committed to equal opportunity in all aspects of employment, including, but not limited to, recruiting, promoting, compensating and training. HCN encourages managers to hire, develop and maintain a diverse workforce. Notably in 2012, 46% of new hires were women and 21% were minorities. HCN believes diversity in the workplace provides significant business benefits.

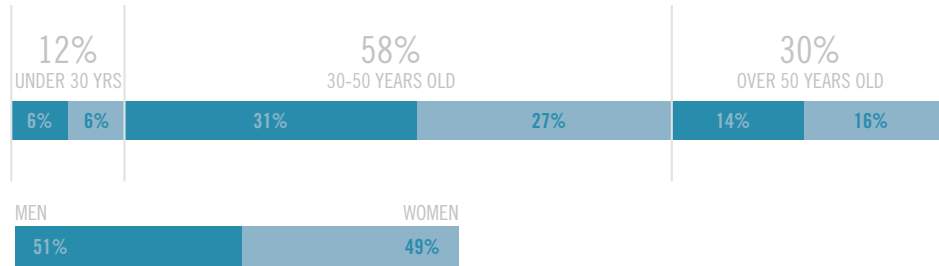
#### 4.D / EMPLOYEE FEEDBACK AND CONTINUAL IMPROVEMENT

HCN has an informal employee feedback system. The company has an initiative to launch a formal feedback survey annually and share those results with employees.



## AGE & GENDER

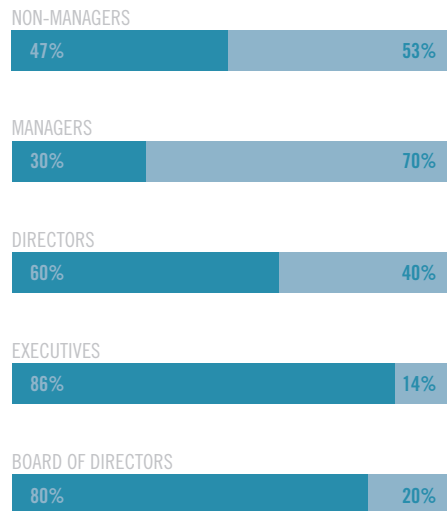
● MEN  
● WOMEN



GRI Indicator  
G4-LA12

## GENDER & ROLE

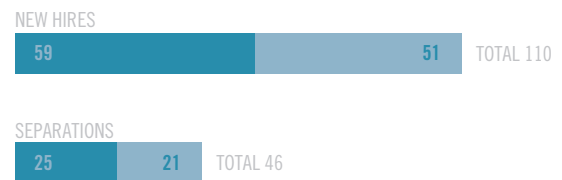
● MEN  
● WOMEN



GRI Indicator  
G4-LA12

## 2012 NEW HIRES AND SEPARATIONS

● MEN  
● WOMEN



GRI Indicator  
G4-LA1

## LOCATION



GRI Indicator  
G4-LA12



**Marcel Hesseling**  
Corporate Chef, Health Care REIT

“ When most people talk about good food, they’re referring only to the taste. Here, we actually mean the food itself. It’s good, healthy food.”

#### 4.E / HEALTH, SAFETY AND WELLNESS

HCN supports programs that help employees manage and improve their personal health and well-being. The company’s staff consists primarily of office-based professionals. The greatest employee health challenges are stress management and a sedentary lifestyle.

##### 4.E.1 / HCN’s Café

HCN’s café at the Toledo corporate headquarters eliminates the need for employees to travel to lunch, reducing greenhouse gas emissions and environmental impact, while increasing productivity. Employees from all levels and departments gather to relax, interact and build relationships. Chef Marcel Hesseling beams with pride when he talks about HCN’s nutrition programs. “When most people talk about good food, they’re referring only to the taste,” says Hesseling. “Here, we actually mean the food itself. It’s good, healthy food.”

The majority of the ingredients used at the café are organic and processed or genetically-modified foods are avoided to the extent feasible. HCN purchases sustainable, high-quality heirloom vegetables and herbs from local farms. Fresh cut fruit, dried fruit and mixed nuts are available throughout the day free of charge to encourage healthful snacking.

In partnership with a nutritionist from HCN’s Wellness Center, Hesseling developed special “Wellness Wednesday” meals that total less than 500 calories. The team determines nutritional information for every featured entrée throughout the week.

HCN’s “To-Go” meal program allows employees to order carry out meals for their families. “It makes me proud to know that the people I work with every day bring my food home to their families,” says Hesseling.

#### 4.E.2 / HCN's Wellness Center

HCN's Wellness Center provides free, 24-hour access to a high-quality exercise facility. It includes a collection of professional quality exercise machines, two outside courts for basketball and an outside running path. Through a partnership with the University of Toledo, the Wellness Center offers free exercise classes. Personal trainers and a nutritionist are available for a nominal fee.

In 2012, HCN launched a wellness rewards program. Employees receive points and can earn rewards for using the Wellness Center such as meal credits, gift cards or in-home exercise equipment. On average, each employee visits the Wellness Center approximately three times per month.







*Future  
Priorities*

# FUTURE PRIORITIES

HCN STRIVES TO PROVIDE CONSISTENT, RESILIENT GROWTH TO ITS SHAREHOLDERS. ACHIEVING THIS OBJECTIVE REQUIRES A COMMITMENT TO EXCELLENCE AND CONTINUOUS IMPROVEMENT. THE COMPANY'S SUSTAINABILITY PROGRAM IS A TOOL FOR DRIVING AND COMMUNICATING PROGRESS. TO THAT END, HCN IS ALREADY CHALLENGING ITSELF BY ESTABLISHING THESE SUSTAINABILITY OBJECTIVES:

## Reducing Environment Impact

- Reducing energy and water use
- Increasing waste stream diversion
- Investing in building system upgrades that reduce environmental impact
- Expanding HCN's energy benchmarking program
- Expanding internal and external tracking of relevant sustainability data
- Increasing the company's number of Energy Star® and LEED® certified properties

## Demonstrating Sound Governance

- Incorporating additional sustainability metrics into HCN's process
- Updating the company's compensation plan, in general and specifically executive compensation, to better align management and shareholder interests

## Expanding Social Impact and Stakeholder Engagement

- Broadening stakeholder engagement initiatives through proactive communication programs
- Ongoing support of employees through new and improved professional development initiatives





Sustainability has been, and will continue to be, central to HCN's culture and business. The company and its employees have a significant impact on complex, exciting and socially-important issues. The company's stock is a source of consistent, reliable income for countless shareholders; many of them rely on the company for retirement income. The company's investments are helping to mold the dynamic, evolving health care system. To be successful, HCN's team immerses itself in health care with a passion for earning and rewarding the trust of shareholders and supporting the improvement of health care delivery.

We are health care real estate.







*Global  
Reporting  
Initiative (GRI)  
Content Index*



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THIS REPORT  
CONTAINS STANDARD  
DISCLOSURES FROM  
THE GRI SUSTAINABILITY  
REPORTING GUIDELINES.

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