

Charter Hall Group*

Notice of 2014 Annual General Meeting and Explanatory Memorandum

**For a meeting to be held on Wednesday, 12 November 2014 at 2.30pm (AEDT)
at Charter Hall, Level 20, No.1 Martin Place, Sydney NSW 2000**

*Charter Hall Limited (ACN 113 531 150)

*Charter Hall Property Trust (ARSN 113 339 147)

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Separate Attachment

Proxy Form

10 October 2014

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Charter Hall Limited
ACN 113 531 150

Charter Hall Property Trust
ARSN 113 339 147

Dear Securityholder

Letter from Chairman

Charter Hall Limited and Charter Hall Property Trust (Charter Hall Group) - Annual General Meeting

It is with pleasure that I invite you to the 2014 Annual General Meeting of Charter Hall Group (the Meeting) for a briefing on the Group's operations for the 2014 financial year and to consider the matters set out in the enclosed Notice of Meeting and Explanatory Memorandum.

The Meeting will be held on Wednesday, 12 November 2014 at 2.30pm (AEDT) at Charter Hall, Level 20, No.1 Martin Place, Sydney NSW 2000.

Please find enclosed the Notice of Meeting, Explanatory Memorandum, proxy form, and business reply envelope.

If you are attending the Meeting, please bring the attached proxy form with you as the barcode will assist in the registration process. If you are unable to attend, please complete and return your proxy form by no later than 2:30pm (AEDT) on Monday, 10 November 2014 in accordance with the instructions on the attached proxy form.

Securityholders have the opportunity to submit questions and/or to address questions to me, as Chairman, and/or our external auditor, PricewaterhouseCoopers (PwC), prior to the Meeting. Please log on to www.linkmarketservices.com.au, select 'Voting', then click 'Ask a Question'. Representatives from PwC will be present at the Meeting to respond to the questions received and to any additional questions. Please note that written questions for PwC must be sent to, and received by, Link Market Services Limited by no later than 5.00pm on Monday, 3 November 2014 in accordance with the instructions on the website.

If you require further information or have questions, please contact the Charter Hall Group Registry on +61 1300 664 498.

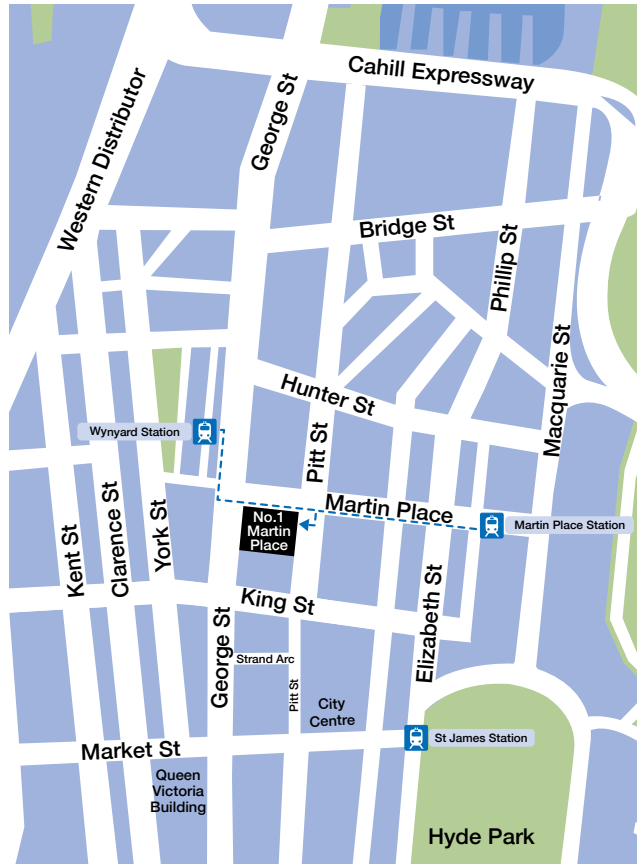
I look forward to your attendance at the Meeting.

Yours sincerely



Kerry Roxburgh
Chairman

Location of the meeting



Venue

The Annual General Meeting of the Securityholders of Charter Hall Group will be held at Charter Hall, Level 20, No.1 Martin Place, Sydney NSW 2000

Commencing

2.30pm (AEDT), Wednesday, 12 November 2014

Charter Hall Head Office

The office is conveniently situated in the middle of the Sydney CBD. Wynyard and Martin Place stations are located just a short walk away from the office and offer easy metro rail connections to the entire city. The city's ferry, train, bus, metro network, and taxi facilities make all of Sydney easily accessible.

By Taxi

A taxi rank is located directly outside the office entrance on Pitt Street. The nearest cross street is King Street.

By Car

Self and valet parking is available on-site in an underground garage. Alternative self-parking is offered through Wilson Parking at Angel Place.

By Train

Wynyard & Martin Place Railway Stations are within walking distance from the office. These stations offer service on all intercity and suburban trains and is a five-minute train ride to Central Station—the main station for all train services in Sydney.

By Bus

Buses are available from George Street and Elizabeth Street to most major locations within the city and surrounding suburbs. Tickets are required and must be pre-purchased prior to boarding.

Meeting agenda

Wednesday 12 November 2014

2.00pm	Registration begins
2.15pm	Light refreshments
2.30pm	Meeting commences
	- Welcome to Securityholders by the Chairman
	- Joint Managing Directors' presentation
	- Items of Business

How business will be conducted at the meeting

The Meeting is an important event and we encourage Securityholders to actively participate.

Important information about the conduct of the Meeting is set out below.

Discussion and asking questions

Discussion will take place on all the items of business as set out on pages 6 to 7.

The Explanatory Memorandum provides further information relating to the items of business.

Securityholders will have the opportunity to ask questions at the Meeting (including an opportunity to ask questions of the Auditor).

To ensure that as many Securityholders as possible have the opportunity to speak, Securityholders are requested to observe the following guidelines:

- Please keep questions as brief as possible and relevant to the matters being discussed.
- If a Securityholder has more than one question, please ask all questions at the one time.

Securityholders who are unable to attend the Meeting or who may prefer to register questions in advance are invited to do so. Please log onto www.linkmarketservices.com.au, select 'Voting' then click 'Ask a Question'.

An opportunity for discussion will be provided on each item of business prior to Securityholders being asked to vote.

Webcast and photography

For those that may not be able to attend the Meeting, we will make a delayed broadcast available via a webcast which will be able to be viewed at www.charterhall.com.au.

Cameras and recording devices are not permitted at the Meeting.

Notice of meeting

Charter Hall Limited (ACN 113 531 150) (CHL)
Charter Hall Property Trust (ARSN 113 339 147) (CHPT)

Notice is hereby given that the annual general meeting of CHL Shareholders and general meeting of CHPT Unitholders will be held at Charter Hall, Level 20, No.1 Martin Place, Sydney NSW 2000 at 2.30pm (AEDT) on Wednesday, 12 November 2014.

Important Information:

- 1) **The resolutions should be read in conjunction with the Explanatory Memorandum which follows.**
- 2) **Certain terms and abbreviations used below are defined in the Glossary at pages 16 and 17 of this Notice of Meeting.**
- 3) **As explained in the 'voting exclusions' paragraphs below, certain Securityholders are excluded from voting in relation to particular resolutions and Charter Hall Group must disregard votes cast by those Securityholders. Please do not vote if your vote must be disregarded or if you must not vote as outlined in the paragraphs below.**
- 4) **The Meeting will be held in accordance with the Corporations Act, the Listing Rules, CHL's Constitution and CHPT's Constitution. Copies of both CHL's Constitution and CHPT's Constitution can be found on the Charter Hall Group's website (at www.charterhall.com.au/Corporate-Governance)**

The business of the Meeting is as follows:

Business:

Item 1 – Annual Report

To receive and consider the Annual Report, consisting of the Financial Report and Directors' Report, and Auditor's Report for the year ended 30 June 2014.

Note: There is no requirement for Securityholders to approve these reports.

Item 2 – Re-Election and Election of Directors of CHL

To consider and, if thought fit, pass the following ordinary resolutions of CHL:

- 2.1 *"That Mr Peter Kahan, a Director of CHL retiring in accordance with the CHL Constitution, is re-elected as a Director of CHL."*
- 2.2 *"That Mr David Harrison, a Director of CHL retiring in accordance with the CHL Constitution, is re-elected as a Director of CHL."*
- 2.3 *"That Mr David Clarke, appointed as an additional Director of CHL by the Board, is elected as a Director of CHL."*

Item 3 - Adoption of Remuneration Report

To consider and, if thought fit, pass the following ordinary resolution of CHL:

"That the Remuneration Report included in the Annual Report for the year ended 30 June 2014 be adopted."

Note: The vote on this resolution is advisory only and does not bind Charter Hall Group or the Directors of CHL.

Voting exclusions

CHL will disregard any votes cast on this resolution by Key Management Personnel or their Closely Related Parties (or any person voting on their behalf). However, CHL need not disregard a vote cast by such a person if:

- it is cast by the person as a proxy for a person who is entitled to vote on this resolution, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote on this resolution, in accordance with a direction on the proxy form.

Please refer to the instructions in the Explanatory Memorandum in relation to this item of business on how to appoint a proxy for this resolution.

Item 4 – Issue of service rights to Mr David Southon and Mr David Harrison (Performance Rights and Options Plan) (Deferred proportion of STI for FY14)

To consider and, if thought fit, pass the following ordinary resolutions of CHL and CHPT:

- 4.1 *"That approval is given for all purposes under the Corporations Act and the Listing Rules (in particular, Listing Rule 10.14) for the issue of 81,861 service rights to Mr David Southon as described in the Explanatory Memorandum."*
- 4.2 *"That approval is given for all purposes under the Corporations Act and the Listing Rules (in particular, Listing Rule 10.14) for the issue of 95,504 service rights to Mr David Harrison as described in the Explanatory Memorandum."*

Voting exclusions

CHL and CHFML will disregard any votes cast on these resolutions by:

- any Joint Managing Director; or
 - any Associate of a Joint Managing Director;
- and any person voting on their behalf.

Additionally, CHL will also disregard any votes cast as a proxy on the proposed resolution by Key Management Personnel and their Closely Related Parties.

However, CHL and CHFML need not disregard the vote if:

- it is cast by a person as proxy for a person who is entitled to vote on these resolutions, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote on these resolutions, in accordance with a direction on the proxy form to vote as the proxy decides.

In accordance with section 253E of the Corporations Act, CHFML and its associates are not entitled to vote their interests (if any) on these resolutions at a meeting of CHPT Unitholders if they have an interest in these resolutions or matters other than as a CHPT Unitholder.

Item 5 – Issue of performance rights (Long Term Incentive) to Mr David Southon and Mr David Harrison (Performance Rights and Options Plan)

To consider and, if thought fit, pass the following ordinary resolutions of CHL and CHPT:

- 5.1 *“That approval is given for all purposes under the Corporations Act and the Listing Rules (in particular, Listing Rule 10.14) for the issue of 210,730 performance rights to Mr David Southon as described in the Explanatory Memorandum.”*
- 5.2 *“That approval is given for all purposes under the Corporations Act and the Listing Rules (in particular, Listing Rule 10.14) for the issue of 248,371 performance rights to Mr David Harrison as described in the Explanatory Memorandum.”*

Voting exclusions

CHL and CHFML will disregard any votes cast on these resolutions by:

- any Joint Managing Director; or
 - any Associate of a Joint Managing Director;
- and any person voting on their behalf.

Additionally, CHL will also disregard any votes cast as a proxy on the proposed resolution by Key Management Personnel and their Closely Related Parties.

However, CHL and CHFML need not disregard the vote if:

- it is cast by a person as proxy for a person who is entitled to vote on these resolutions, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote on these resolutions, in accordance with a direction on the proxy form to vote as the proxy decides.

In accordance with section 253E of the Corporations Act, CHFML and its associates are not entitled to vote their interests (if any) on these resolutions at a meeting of CHPT Unitholders if they have an interest in these resolutions or matters other than as a CHPT Unitholder.

Item 6 – Remuneration of Non-Executive Directors

To consider and, if thought fit, pass the following ordinary resolution of CHL:

6. *“That, for the purposes of rule 43(b) of the Constitution and Listing Rule 10.17, the maximum aggregate remuneration that may be paid to all of the non-executive directors of CHL for their services as non-executive directors of CHL be increased from \$1,000,000 per annum to \$1,300,000 per annum.”*

Voting Exclusions

CHL and CHFML will disregard any votes cast on these resolutions by:

- any director of CHL; or
 - any Associate of a director;
- and any person voting on their behalf.

However, CHL and CHFML need not disregard the vote if:

- it is cast by a person as proxy for a person who is entitled to vote on these resolutions, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote on these resolutions, in accordance with a direction on the proxy form to vote as the proxy decides.

Entitlement to attend and vote

The Directors have determined that the holding of each Securityholder for the purposes of ascertaining the voting entitlements for the Meeting will be as it appears in the Register at 7.00pm on Monday, 10 November 2014.

At the Meeting, each Securityholder (in their capacity as a CHL Shareholder):

- on a show of hands, has 1 vote; and
- on a poll, has 1 vote for each CHL Share they hold.

At the Meeting, each Securityholder (in their capacity as a CHPT Unitholder):

- on a show of hands, has 1 vote; and
- on a poll, has 1 vote for each dollar of the value of the total interest they have in CHPT.

Voting by proxy

A Securityholder is entitled to appoint a proxy to attend and vote on behalf of the Securityholder at the Meeting. A proxy need not be a Securityholder of Charter Hall Group.

Securityholders wishing to appoint a Director (including the Chairman of the Meeting) or other member of the Key Management Personnel of Charter Hall Group or their Closely Related Parties as their proxy should read carefully the instructions on the proxy form and follow these instructions to ensure their votes are not disregarded.

A Securityholder entitled to cast two or more votes at the Meeting may appoint two proxies and specify the proportion or number of votes each proxy is appointed to exercise. If the Securityholder appoints two proxies and does not specify the proportion or number of votes each proxy may exercise, then each proxy may exercise half of the votes.

A proxy form is attached to this Notice of Meeting. To be valid, proxy forms, and the authority under which any form appointing a proxy is signed or a certified copy of that authority (if any), must be received by no later than 2.30pm (AEDT) on Monday, 10 November 2014 in accordance with the instructions listed on the attached proxy form.

Alternatively, Securityholders may vote online at www.linkmarketservices.com.au, by entering the Securityholder's holding details as shown on the proxy form, then selecting "Voting", and then following the prompts to lodge the Securityholder's vote. To use the online lodgement facility, Securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).

If a Securityholder returns its proxy form but does not nominate a representative, the Chairman of the Meeting will be that Securityholder's proxy and will vote on that Securityholder's behalf as directed on the proxy form. If the Securityholder's nominated representative does not attend the Meeting, then that Securityholder's proxy will revert to the Chairman of the Meeting who may vote as he thinks fit (subject to the note below regarding Items 3, 4, 5 and 6) in relation to any motion or resolution, other than those (if any) in respect of which the Securityholder has provided an indication of the manner of voting on that Securityholder's proxy form.

Undirected proxies

If a Securityholder does not wish to direct their proxy as to how to vote in respect of a resolution, that proxy may vote as he/she sees fit on each resolution, subject to the requirements of the Corporations Act and Listing Rules (discussed below).

Where permitted, the Chairman of the Meeting in respect of each item of business intends to vote undirected proxies in favour of each of the items of business in the Notice of Meeting.

Remuneration related resolutions (Items 3 – 6)

If the Chairman of the Meeting is appointed, or taken to be appointed, as a proxy, and the relevant Securityholder does not mark any of the voting boxes opposite Items 3, 4, 5 and 6, the relevant Securityholder will be directing the Chairman of the Meeting to vote in favour of the resolution on that Item.

Other Directors (including the Joint Managing Directors), members of the Key Management Personnel and their Closely Related Parties will not be able to vote undirected proxies on Items 3, 4, 5 and 6.

Voting by attorney

A Securityholder may appoint an attorney to vote on his/her behalf. The attorney should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to Charter Hall Group or Link Market Services Limited.

Corporate representatives

A body corporate which is a Securityholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Meeting. The appointment must comply with the requirements of sections 250D and 253B of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to Charter Hall Group or Link Market Services Limited.

By order of the Board



Tracey Jordan
Company Secretary

10 October 2014

Explanatory Memorandum

Item 1 – Annual Report

No Resolution is required for this item of business.

Copies of Charter Hall Group's 2014 Securityholder Review and Annual Report are available at www.charterhall.com.au, and copies will be made available at the Meeting. A copy of the Annual Report has been sent to those Securityholders who requested one. Securityholders who wish to receive a hard copy should contact Link Market Services Limited (see the Corporate Directory for contact details).

During this item of business an opportunity will be given to Securityholders to ask questions about, or make comments on, the management of Charter Hall Group at the Meeting.

Similarly, a reasonable opportunity will be given to Securityholders, as a whole, to ask the Charter Hall Group auditor, PwC, questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by Charter Hall Group in relation to the preparation of its financial statements and the independence of the auditor in relation to the audit for the year ended 30 June 2014.

Securityholders may also submit questions in advance by logging on to www.linkmarketservices.com.au, select "Voting" then click "Ask a Question". Relevant written questions for PwC must be received by no later than 5.00pm (AEDT) on Monday, 3 November 2014 in accordance with the instructions on the website.

Item 2 – Re-Election and of Directors of CHL

Listing Rule 14.4 provides that a director must not hold office (without re-election) past the third annual general meeting following the director's appointment or three years, whichever is longer. It also provides that an entity must hold an election of directors each year. These provisions are substantively replicated in Rule 42 of CHL's Constitution.

Listing Rule 14.4 also provides that managing directors are not subject to this requirement (i.e. to stand for re-election every three years) except in the case where there is more than one managing director, in which case only one managing director is entitled not to be subject to re-election. CHL appointed both Mr David Harrison and Mr David Southon as Joint Managing Directors in 2006 and the Board resolved that they would each be exempt from this requirement on a rotational basis. Mr Southon stood for re-election in 2006 and 2012, and Mr Harrison stood for re-election in 2009.

CHL's Constitution provides that the Directors of CHL may at any time appoint any person as a Director of CHL as an addition to the Board, in accordance with the terms of CHL's Constitution.

On 10 April 2014, the Board appointed Mr David Clarke as a Director of the Board of CHL. Under Listing Rule 14.4 and CHL's Constitution, any director appointed in this manner may only hold office until the next annual general meeting of the Company, at which such director may be eligible for election.

Each of Mr Peter Kahan, Mr David Harrison, and Mr David Clarke is eligible to be re-elected or elected as a Director of CHL and offers themselves for election. Information about each Director's background and experience is set out below:

Mr Peter Kahan – Non-Executive Director

Peter joined the Charter Hall Board in October 2009, following an investment in Charter Hall by Gandel Group. He is a member of the Remuneration and Human Resources Committee and the Nominations Committee.

Peter is currently the Executive Deputy Chairman of Gandel Group and has approximately 20 years of property and funds management experience. He joined Gandel Group in 1994, became the Group's Finance Director in 2001 and was CEO from 2007 to 2012. Prior to his time at Gandel Group, Peter worked as a chartered accountant and held a range of senior financial roles in industry.

Peter was appointed a non executive director of CFS Retail Property Trust (CFX) in April 2014. He is a member of CFX's Audit Committee and the Remuneration and Organisation Committee.

He is a member of the Institute of Chartered Accountants Australia and the Australian Institute of Company Directors.

Mr David Harrison – Executive Director

David joined Charter Hall in 2004 and has 27 years of property market experience across office, retail and industrial sectors. As Charter Hall Group's Joint Managing Director, he is responsible for all aspects of the Charter Hall business, with specific focus on investment management, strategy, corporate transactions and property investment activities. David is directly responsible for overseeing the operation of the investment management divisions, including the listed REITs, wholesale unlisted and retail unlisted divisions, together with investor relations and transactions. He shares responsibility with David Southon for the Chief Financial Officer in relation to group finance, treasury and capital management.

In the last eight years, David has overseen the growth of the Charter Hall Group from \$500 million to \$11 billion of funds under management. He has been principally responsible for transactions exceeding \$15 billion of commercial, retail and industrial property assets across all the Group's property sectors over the past 23 years.

David also sits as an Executive Member on all Fund Boards and Investment Committees and is a Fellow Member of the Australian Property Institute (API).

Mr David Clarke – Independent Non-Executive Director

David Clarke joined the Board in April 2014. He is currently a member of the Audit, Risk and Compliance Committee, and was recently appointed as the Chair of the Nominations Committee. David was previously Chief Executive Officer of Investec Bank (Australia) Limited, where he held responsibility for all of Investec's activities in Australia.

Prior to joining Investec Bank, David was the CEO of Allco Finance Group and a director of AMP Limited, following five years at Westpac Banking Corporation, where he held a number of senior roles, including Chief Executive of the Wealth Management Business, BT Financial Group.

Explanatory Memorandum

David has 35 years' experience in investment banking, funds management, property and retail banking. He was previously employed at Lend Lease Corporation Limited, where he was an executive director and Chief Executive of MLC Limited, and prior to this was Chief Executive of Lloyds Merchant Bank in London.

David is chairman of both the University of New South Wales Medicine Advisory Council and Dean's Circle. He is a member of the New Zealand Trade and Enterprise Beachheads Forum and a non-executive director of Austbrokers Holdings Limited.

Recommendation

The Directors of CHL (other than Mr Kahan, Mr Harrison, and Mr Clarke in respect of each of their respective re-election or election as Director of CHL) unanimously endorse the re-election of Mr Kahan and Mr Harrison, and the election of Mr Clarke, as a Director of CHL.

Item 3: Adoption of Remuneration Report

As required by the Corporations Act, the Board is presenting the Remuneration Report to Securityholders for consideration and adoption.

The resolution is advisory only and does not bind the Directors.

The Remuneration Report provides Securityholders with an understanding of:

- Charter Hall Group's remuneration policies as they relate to Key Management Personnel;
- The link between remuneration and Charter Hall Group's performance; and
- Individual outcomes for Charter Hall Group's executives and Directors.

A copy of the Remuneration Report, which is part of the 2014 Annual Report, is available by contacting Link Market Services Limited (see the Corporate Directory for contact details) or by visiting Charter Hall Group's website.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

A voting exclusion statement applies to this resolution as set out in the Notice of Meeting.

Recommendation

The Directors unanimously recommend the Securityholders vote in favour of Item 3.

Item 4: Issue of service rights to Mr David Southon and Mr David Harrison (Performance Rights and Options Plan) (Deferred proportion of STI awarded for FY14)

In accordance with Listing Rule 10.14, Charter Hall Group is seeking the approval of Securityholders for a proposed allocation of service rights to each of the Joint Managing Directors under the PROP. The allocation of service rights is the deferred portion of the FY14 STI for each of the Joint Managing Directors (equivalent to 33.3% of their on-target award and 100% of their above-target award for FY14).

Details of proposed allocation of Service rights under the PROP

Securityholder approval is sought for an allocation of:

- 81,861 service rights to Mr David Southon; and
- 95,504 service rights to Mr David Harrison;

The basis of the quantum of the proposed issue of service rights is explained in paragraph (e).

(a) Nature of the service rights

If the resolutions in item 4 are approved, the Joint Managing Directors will receive the service rights in lieu of receiving in cash, for 33.3% of their on-target award and 100% of their above-target award for FY14.

The only vesting condition is that the Joint Managing Director is employed by the Charter Hall Group on 30 August 2015 for 50% of the service rights, and on 30 August 2016 for the remaining 50% of the service rights, at which time each services right will convert into a Stapled Security.

(b) Date the service rights will be issued

If the resolutions in Item 4 are approved by Securityholders, the service rights are proposed to be issued in two tranches to Mr Harrison and Mr Southon as soon as practicable after the Meeting, but in any case, no later than 30 August 2015 for 50% of the service rights (the **First Issue Date**), and 30 August 2016 for the remaining 50% of the service rights (the **Second Issue Date**).

Each service right will convert into a fully paid Stapled Security on 30 August 2015 and 30 August 2016 respectively if the relevant vesting condition is met.

Details of the service rights to be issued will be published in each annual report for Charter Hall Group relating to the period in which the service rights have been issued, noting that approval for the issue of the service rights was obtained pursuant to Listing Rule 10.14.

Any additional persons who become entitled to participate in the employee incentive scheme after the resolution is approved and who are not named in this notice of meeting will not participate until approval is obtained under Listing Rule 10.14.

If the resolutions in Item 4 are not approved by Securityholders, 50% of the deferred STI entitlement will vest on 1 July 2015, with a gross cash remuneration entitlement to be paid no later than 30 August 2015 as follows:

- \$158,400 to Mr David Southon; and
- \$184,800 to Mr David Harrison.

The remaining 50% of the deferred STI entitlement will vest on 1 July 2016, with a gross cash remuneration entitlement to be paid no later than 30 August 2016 as follows:

- \$158,400 to Mr David Southon; and
- \$184,800 to Mr David Harrison.

(c) Maximum number of service rights to be provided

The maximum number of service rights that may be awarded to a Joint Managing Director pursuant to the resolutions proposed in Item 4 is:

- 81,861 service rights to Mr David Southon; and
- 95,504 service rights to Mr David Harrison.

(d) Vesting conditions of service rights

If a Joint Managing Director ceases to be employed (i.e. a Joint Managing Director resigns or is terminated by summary dismissal) by the Charter Hall Group before 30 August 2015, the service rights or cash pay rights (depending on whether the resolutions in Item 4 were approved by Securityholders) would be forfeited. If a Joint Managing Director's employment is terminated for any other reason before 30 August 2015, the service rights or cash pay rights will vest (depending on whether the resolutions in Item 4 were approved by Securityholders).

If a Joint Managing Director ceases to be employed (i.e. a Joint Managing Director resigns or is terminated by summary dismissal) by the Charter Hall Group between 1 September 2015 and 30 August 2016, the second tranche (being the remaining 50%) of the service rights or cash pay rights (depending on whether the resolutions in Item 4 were approved by Securityholders) would be forfeited. If a Joint Managing Director's employment is terminated by the Charter Hall Group for any other reason between 1 September 2015 and 30 August 2016, the second tranche (being the remaining 50%) of the service rights or cash pay rights will vest (depending on whether the resolutions in Item 4 were approved by Securityholders).

(e) Basis for the quantum of the proposed issue of service rights to the Joint Managing Directors

STI Overview

In respect of FY14 any STI amount is subject to achieving 95% or more of the target annual OEPS. STI payments for FY14 related to the Charter Hall Group achieving an OEPS which exceed the Group target in addition to achieving other financial targets.

Once the OEPS threshold is reached, individual performance against other objectives becomes the basis for determining what STI payments are to be made to individuals, if any. The Board, in consultation with the Remuneration and Human Resources Committee, assessed the performance of the Joint Managing Directors against their individual performance measures established for FY14. The Board also retains the discretion to increase/decrease the STI amount available based on its assessment of overall performance.

Individual performance objectives for the Joint Managing Directors were based on a number of quantitative and qualitative measures under two main categories, as follows:

For David Southon:

- Financial Measures comprised of the OEPS of Charter Hall Group, the property funds management margin and growth in funds under management, weighted at 50%
- Non Financial Measures, comprised of:

- Partner measures weighted at 10%
- People measures weighted at 20%; and
- Operational excellence measures weighted at 20%

For David Harrison:

- Financial Measures comprised of the OEPS of Charter Hall Group, the property funds management margin and growth in funds under management, weighted at 50%
- Non Financial Measures, comprised of:
 - Partner measures weighted at 20%
 - People measures weighted at 20%; and
 - Operational excellence measures weighted at 10%

These performance measures were selected as they establish a clear link between executive reward and Charter Hall Group performance.

FY14 STI achievement

The number of service rights that each Director will be allocated has been determined by dividing the value of the deferred portion of the Joint Managing Directors' STI award for FY14 by the fair value of the service rights calculated as at 13 September 2014 (being the date of allocation) (i.e. \$3.87) calculated as an average price for each tranche using the Black-Scholes-Merton model determined by the Board and based on a valuation report prepared by Deloitte Touche Tohmatsu equating to 81,861 service rights to Mr David Southon and 95,504 service rights to Mr David Harrison.

(f) Other Matters

There are no loans to be granted by CHL or CHFML to either Joint Managing Director in relation to the acquisition of the service rights under the proposed grant in Item 4.

The PROP was first introduced in 2008.

In accordance with ASX Listing Rule 10.14, the performance rights and service rights granted to a Director or an associate of a Director under the PROP since Securityholders last approved an issue of performance rights and service rights under the PROP (at the annual general meeting of Charter Hall Group held in November 2013) were:

- the issue of 59,649 service rights (which represents FY13 deferred STI) and 231,707 performance rights (which represents FY14 LTI) to David Harrison, with a nil exercise price; and
- the issue of 58,511 service rights (which represents FY13 deferred STI) and 201,220 performance rights (which represents FY14 LTI) to David Southon, with a nil exercise price.

Apart from the Joint Managing Directors, no Directors or associates of Directors are participants in the PROP or have been invited to participate in the PROP.

A voting exclusion statement applies to this resolution as set out in the Notice of Meeting.

Recommendation

The Directors (other than Mr Southon and Mr Harrison) unanimously recommend that Securityholders vote in favour of the Item 4 resolutions.

Explanatory Memorandum

Item 5 - Issue of performance rights (Long Term Incentive) to Mr David Southon and Mr David Harrison (Performance Rights and Options Plan)

In accordance with Listing Rule 10.14 which requires Securityholder approval for Directors to participate in an employee incentive scheme under which he or she acquires, or may in the future be entitled to acquire securities, Charter Hall Group is seeking approval of Securityholders for the proposed allocation of performance rights in respect of the financial year ending 30 June 2015, to Mr David Southon and Mr David Harrison (each, a Joint Managing Director) under the PROP.

Details of the proposed allocation of performance rights under the PROP

In respect of the financial year ending on 30 June 2015, Securityholder approval is sought for an allocation of three year performance rights as an LTI for each of the Joint Managing Directors, at no cost to them, at the relevant award or, should any vest, at that date. The remuneration mix for the Joint Managing Directors includes an amount for LTI as follows:

- 210,730 performance rights to Mr David Southon (equivalent to \$750,199); and
- 248,371 performance rights to Mr David Harrison (equivalent to \$884,200);

based upon an LTI 3 year aggregate prima-facie value measured at 1 July 2014 of \$3.56 for each performance right for each of the Joint Managing Directors.

(a) Price of the performance rights

No amount is payable on the grant of an award of performance rights under the PROP. In addition, no amount is payable to exercise a performance right once it vests. Please refer to the information in paragraphs (d) and (e) below in relation to the relevant vesting conditions of performance rights.

If the applicable vesting service and performance conditions are met, a Joint Managing Director will be entitled to receive one fully paid Stapled Security in the Charter Hall Group in respect of each vested performance right (subject to adjustment in accordance with the Listing Rules in the event of a reorganisation of the issued ordinary share capital of CHL or issued unit capital of CHPT, or as otherwise contemplated by the PROP rules).

(b) Date the performance rights will be issued

If the resolutions in Item 5 are approved by Securityholders, the performance rights are proposed to be issued to each of Mr Harrison and Mr Southon as soon as practicable after the Meeting, but in any case, no later than 31 December 2014 (the Issue Date).

(c) Maximum number of performance rights to be provided

Up until 1 July 2017, the maximum number of performance rights that may be acquired by each of the Joint Managing Directors pursuant to the resolutions proposed in Item 5, is 210,730 performance rights for David Southon and 248,371 performance rights for David Harrison based upon a valuation of \$3.56 per performance right.

(d) Vesting conditions of performance rights

The vesting of performance rights under the PROP is subject to both service and performance conditions.

Subject to both the service and performance conditions, any FY15 LTI performance right issued on or after 1 July 2014 may vest on 1 July 2017. These rights cannot be exercised until after the release of the full FY17 results.

The performance conditions are based on absolute and relative total shareholder return (TSR) hurdles in equal proportions as follows:

Absolute TSR performance condition

The percentage of performance rights that may vest on 1 July 2017 if the TSR for the 3 years from 1 July 2014 falls between 10% and 13% per annum will be determined on a linear basis starting with 50% vesting at the lower end of the range, moving to 100% vesting at the top of the range.

Relative TSR performance condition

The percentage that may vest on 1 July 2017 if the total compounded return for the 3 years falls between the total compounded return of the S&P/ASX 200 A-REIT Accumulation Index (XPJAI) and 1.10 times the total compounded return of XPJAI, determined on a linear basis. Vesting starts at 50% at the lower end of the range moving to 100% that will vest at the top of the range.

50% of performance rights are subject to the absolute TSR measure and 50% are subject to the relative TSR measure.

Any performance rights that fail to vest on 1 July 2017 are forfeited.

The Board considered that TSR is an appropriate performance hurdle because it ensures that a proportion of each participant's remuneration is linked to the market value of Charter Hall Group securities, ensuring that participants only receive a benefit where there is a corresponding direct benefit to Securityholders.

Absent any unusual circumstances where Board discretion ought to be exercised, in order to meet the service condition PROP participants must be employed by Charter Hall Group on the relevant vesting date of any performance right.

(e) Vesting period

For this proposed offer the absolute and relative return will be calculated over the three year period 1 July 2014 to 30 June 2017. The base price of Charter Hall Group's securities for calculation of the total return is the VWAP for the month of July 2014, namely \$4.23. The rights, once vested, cannot be exercised or traded until September 2017.

(f) Basis for the quantum of the proposed issue of performance rights to the Joint Managing Directors

The Remuneration Framework of the Joint Managing Directors is described in the Remuneration Report section of the Annual Report. In summary, it comprises base pay and benefits (fixed remuneration), an STI and an LTI.

A Black-Scholes-Merton valuation model has been utilised to arrive at the fair value of an LTI right at the time of its award

to the employee. A Monte Carlo simulation has been utilised to calculate the aggregate accounting expense. These figures have been determined, based on a valuation report prepared by Deloitte Touche Tohmatsu.

As outlined in the Remuneration Report, the Board utilised the Black-Scholes-Merton valuation model for the allocation of LTI awards.

(g) Securities held

The number of Stapled Securities, options and performance rights currently held by the Joint Managing Directors is contained in the Annual Report.

(h) Other matters

There are no loans to be granted by CHL or CHFML to either of the Joint Managing Directors in relation to the acquisition of the performance rights under the proposed grant in Item 5.

The PROP was first introduced in 2008.

In accordance with ASX Listing Rule 10.14, the performance rights and service rights granted to a Director or an associate of a Director under the PROP since Securityholders last approved an issue of performance rights and service rights under the PROP (at the annual general meeting of Charter Hall Group held in November 2013) were:

- the issue of 59,649 service rights (which represents FY13 deferred STI) and 231,707 performance rights (which represents FY14 LTI) to David Harrison, with a nil exercise price; and
- the issue of 58,511 service rights (which represents FY13 deferred STI) and 201,220 performance rights (which represents FY14 LTI) to David Southon, with a nil exercise price.

Apart from the Joint Managing Directors, no Directors or associates of Directors are participants in the PROP or have been invited to participate in the PROP.

A voting exclusion statement applies to this resolution as set out in the Notice of Meeting.

Recommendation

The Directors (other than Mr Southon and Mr Harrison) unanimously recommend that Securityholders vote in favour of the Item 5 resolutions.

Item 6 – Remuneration of Non-Executive Directors

Resolution 5: Remuneration of non-executive directors

In accordance with Listing Rule 10.17, Securityholders are being asked to approve an increase in the maximum aggregate sum which may be paid as non-executive directors' fees (**Fee Pool**) by \$300,000 from \$1.0 million per annum to \$1.3 million per annum. The current Fee Pool does not permit any further increases to NED fees (in FY 2014, NED fees totalled \$991,142 from a Fee Pool of \$1,000,000).

Fees and payments to non-executive directors reflect the demands which are made upon and the responsibilities of these directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration & Human Resources Committee.

The last increase to the Fee Pool was effective from 1 July 2011 (approved at the 2011 AGM). Directors fees, both base and Committee, increased 3% for FY14 after not being increased for two years. From FY11 to FY14 the Group experienced considerable growth:

- Market capitalisation has increased 199% (from \$625m in FY11 to \$1.37b in FY14);
- Australian FUM has increased 35% (from \$8.5b in FY11 to \$11.5b in FY14);
- OEPS before specific items has increased 23% (from 20.6 in FY11 to 25.31 in FY14); and
- Distribution has increased 35% (from 16.5 cps in FY11 to 22.3 cps in FY14).

Furthermore, the number of entities and scale of the Charter Hall Group are uniquely complex, and require significant time investment of the Directors.

In March 2014, the Remuneration & Human Resources Committee commissioned an independent remuneration benchmarking report from Ernst & Young to determine whether Charter Hall Group's non-executive directors' fees and payments are appropriate and comparable with similar enterprises. The report concluded that Charter Hall's Board Chairman and non-executive directors' fees are below the 25th percentile of the industry comparator group, and at the median of the market capitalisation comparator group.

The 2014 benchmarking report (based on average market capitalisation and fee data for FY13) revealed:

- Within the industry comparator group base fees for non-executive directors are \$134,000 at the 25th percentile, and are \$151,000 at the median;
- Within the market capitalisation comparator group base fees for non-executive directors are \$135,000 at the 75th percentile.

Since the period for which the data on which the benchmarking report was collated, Charter Hall's market capitalisation has increased by approximately 20%, which would place it closer to the 75th percentile in the market capitalisation comparator group.

The benchmarking report notes that it is common for the Chairman's fee to be two to three times the NED base fee. Within the industry comparator group, the Chair's total fee is \$292,000 at the 25th percentile and \$406,000 at the median. Within the market capitalisation comparator group it is \$311,000 at the 75th percentile.

To provide Charter Hall Group with an ability to remunerate its non-executive directors at an appropriate level (around the industry comparator peer group 25th percentile and at the 75th percentile of the market capitalisation group), securityholders are invited to approve a 30% increase in the Fee Pool to \$1.3 million.

This increase would provide capacity for increases to the Chair's total fee that is also positioned around the 25th percentile of the industry comparator group and at the 75th percentile of the market capitalisation group, as well as changing the Chair's fee structure to an all-inclusive approach (i.e. incorporating base fee, committee fees and

Explanatory Memorandum

superannuation versus the current base fee plus committee fees plus superannuation approach). It would also allow increases, to the base and committee fees for other non-executive directors, and would facilitate anticipated Board transitions whilst being sustainable over a three to four year period.

The current base fee, committee fees (being a member of the Audit & Risk Committee and Chair of the Nominations Committee) and superannuation paid to the Chair is \$221,939. The Board has received a recommendation from the Remuneration & Human Resources Committee to increase the Chair fee by 35% to \$300,000 pa, inclusive of committee fees, and to increase the NED base fee by 17% to \$120,000pa from 1 July 2014, to be increased over a two year period.

Consequently, the Board endorsed the Remuneration & Human Resources Committee recommendation that securityholder approval be sought at the Annual General Meeting to an increase in the Fee Pool by \$300,000 from \$1.0 million per annum to \$1.3 million per annum.

In accordance with Listing Rule 10.17, the details of the securities issued to non-executive directors under Listing Rule 10.11 or Listing Rule 10.14 with the approval of Securityholders at any time within the preceding three years are set out in the table below:

Non-executive Director	Date of issue	Number of Securities
N/A	N/A	N/A

Recommendation

The Directors make no recommendation to members on Resolution 6.

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Glossary

Annual Report	the annual report of Charter Hall Group that includes the financial report, the Directors' report and the independent audit report for the period ended 30 June 2014
ASX	ASX Limited
Associate	the definition provided in the note to Rule 14.11 of the Listing Rules
Auditor or PwC	PricewaterhouseCoopers
Board	board of Directors of CHL and/or CHFML, as appropriate
Charter Hall Group	CHL and CHPT and, where appropriate, their controlled entities
CHFML or the Responsible Entity	Charter Hall Funds Management Limited (ACN 082 991 786; AFSL 262861) in its capacity as responsible entity of CHPT
CHL or the Company	Charter Hall Limited (ACN 113 531 150)
CHL Share	a share in CHL
CHL Shareholder	a registered holder of a CHL Share
CHPT	Charter Hall Property Trust (ARSN 113 339 147)
CHPT Unit	a unit in CHPT
CHPT Unitholder	a registered holder of a CHPT Unit
Closely Related Party	has the meaning given in the Corporations Act
Corporations Act	the <i>Corporations Act 2001</i> (Cth)
Directors	the directors of CHL and/or CHFML, as appropriate
Explanatory Memorandum	the explanatory memorandum that accompanies this Notice of Meeting
Joint Managing Directors	David Harrison and David Southon, as joint managing directors of CHL
Key Management Personnel	has the meaning given in the Corporations Act
Listing Rules	Listing Rules of ASX
LTI	long term incentive
Meeting	the 2014 annual general meeting of CHL Shareholders and general meeting of CHPT Unitholders to be held together on 12 November 2014
Notice of Meeting	this notice of Meeting and any notice of any adjournment of the Meeting
OEPS	Operating Earnings per Share
PROP	Performance Rights and Options Plan of Charter Hall Group
Register	the register of Securityholders as maintained by Link Market Services Limited
Remuneration Report	the Remuneration Report included in the Annual Report

Securityholders	registered holder of a Stapled Security
Stapled Security	a CHL Share stapled to a CHPT Unit
STI	short term incentive
TSR	total shareholder return
VWAP	volume weighted average price

Interpretation

The following rules apply unless the context requires otherwise:

- (a) The singular includes the plural, and the converse also applies.
- (b) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (c) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

Corporate Directory

Corporate head office and registered office

Charter Hall Funds Management Limited

ACN 082 991 786

AFSL No. 262 861

Charter Hall Limited

ACN 113 531 150

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