

Charter Hall Group*

Notice of 2017 Annual General Meeting and Explanatory Memorandum

For a meeting to be held on Thursday, 9 November 2017
at 2.30pm (AEDT) at Charter Hall Group
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

This is an important document. Please read it carefully.

If you are unable to attend the Meeting, please complete the proxy form and return it in accordance with the instructions in this Notice and in the proxy form.



13 October 2017

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

Dear Securityholder

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

It is with pleasure that I invite you to the 2017 Annual General Meeting of Charter Hall Group (the Meeting) for a briefing on the Group's operations for the 2017 financial year and to consider the matters set out in the enclosed Notice of Meeting and Explanatory Memorandum.

The Meeting will be held on Thursday, 9 November 2017 at 2.30pm (AEDT) at Charter Hall Group, 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 Tuesday, 7 November 2017 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 Chair, 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 Tuesday, 31 October 2017 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.

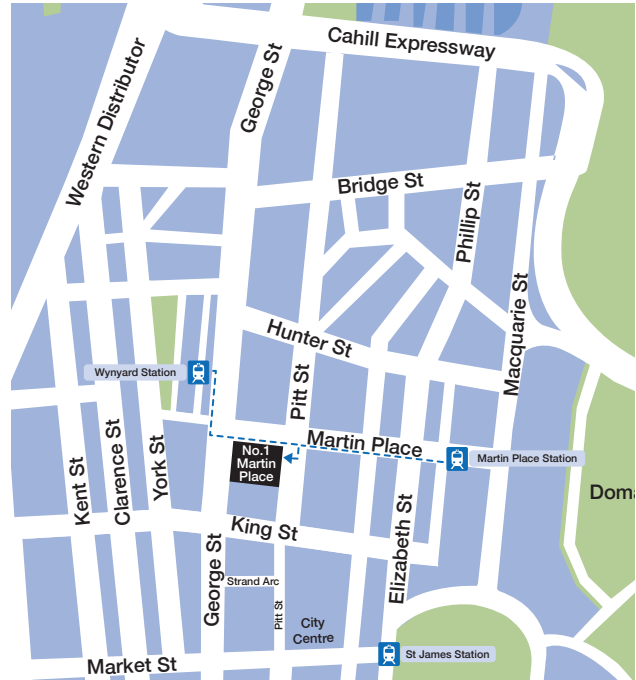
I look forward to your attendance at the Meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Clarke', written in a cursive style.

David Clarke
Chair

Location of the meeting



Venue

The Meeting of Securityholders of Charter Hall Group will be held at:

Charter Hall Group
Level 20, No.1 Martin Place,
Sydney NSW 2000

Commencing

2.30pm (AEDT), Thursday 9 November 2017

Charter Hall Head Office

The office is conveniently situated in the middle of the Sydney CBD and within close proximity to the city's ferry, train, bus and taxi facilities.

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-parking is available through Secure Parking, with the carpark entrance located at 159 Pitt Street, Sydney NSW 2000.

Alternative self-parking is offered through Wilson Parking at Angel Place. Self-parking rates are available upon request.

By Train

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

By Bus

Due to the construction of the CBD & South East Light Rail, most CBD bus routes have been affected, which means your usual route, timetable, route number and CBD bus stop may change.

Buses in the city centre operate predominantly along priority routes on Elizabeth Street, Castlereagh Street, Park Street, Drutt Street, Clarence Street and York Street. No buses will operate on George Street during or after construction.

For more information on changes to bus routes and timetables please visit www.sydneybuses.info/ or phone 131 500.

Tickets are required and must be pre-purchased prior to boarding. Charter Hall Concierge can advise on the appropriate ticket and the closest location for ticket purchase.

Meeting agenda

Meeting protocol

Thursday 9 November 2017

- 2.00pm Registration begins
- 2.15pm Light refreshments
- 2.30pm
- Meeting commences
 - Welcome to Securityholders by the Chair
 - Managing Director and Group CEO's 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 same 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 Charter Hall Limited (**CHL**) Shareholders and general meeting of Charter Hall Property Trust (**CHPT**) Unitholders (together Securityholders) will be held at Charter Hall Group, Level 20, No.1 Martin Place, Sydney NSW 2000 at 2.30pm (AEDT) on Thursday, 9 November 2017.

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 on page 16 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 are not entitled to 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 2017.

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

Item 2 – Election of Directors of CHL

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

"That Mr David Ross, 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 2017 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

Charter Hall Group will disregard any votes cast on this resolution by a member of the Key Management Personnel or their Closely Related Parties, unless the vote is cast as a proxy for a person who is entitled to vote on this resolution:

- in accordance with their directions as set out in the proxy form; or
- by the Chair of the Meeting pursuant to an express authorisation on the proxy form.

Item 4 – Issue of service rights to Mr David Harrison (Performance Rights and Options Plan) (Deferred proportion of Short Term Incentive (STI) for FY17)

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

"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 115,161 service rights to Mr David Harrison as described in the Explanatory Memorandum."

Voting exclusions

Charter Hall Group will disregard any votes cast on this resolution:

- by or on behalf of Mr Harrison and an Associate of Mr Harrison;
- as a proxy by a member of the Key Management Personnel or their Closely Related Parties, unless the vote is cast as a proxy for a person who is entitled to vote on this resolution:
 - in accordance with their directions as set out in the proxy form; or
 - by the Chair of the Meeting pursuant to an express authorisation on the proxy form.

In accordance with section 253E of the Corporations Act, Charter Hall Funds Management Limited (**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 Harrison (Performance Rights and Options Plan)

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

“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 294,664 performance rights to Mr David Harrison as described in the Explanatory Memorandum”.

Voting exclusions

Charter Hall Group will disregard any votes cast on this resolution:

- by or on behalf of Mr Harrison and an Associate of Mr Harrison;
- as a proxy by a member of the Key Management Personnel or their Closely Related Parties, unless the vote is cast as a proxy for a person who is entitled to vote on this resolution:
 - in accordance with their directions as set out in the proxy form; or
 - by the Chair of the Meeting pursuant to an express authorisation on the proxy form.

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:

“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 \$1,300,000 per annum to \$1,700,000 per annum.”

Voting exclusions

The Charter Hall Group will disregard any votes cast on these resolutions by or on behalf of any director of CHL and their Associates unless the vote is cast as a proxy for a person who is entitled to vote on this resolution:

- in accordance with their directions as set out in the proxy form; or
- by the Chair of the Meeting pursuant to an express authorisation on the proxy form.

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 Tuesday, 7 November 2017.

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 Chair 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 Tuesday, 7 November 2017 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 Chair 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 Chair 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 Chair 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 Chair 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 Chair of the Meeting to vote in favour of the resolution on that Item.

Other Directors (including the Managing Director and Group CEO), 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



Mark Bryant
Company Secretary
13 October 2017

Explanatory memorandum

Item 1 – Annual Report

No Resolution is required for this item of business.

Copies of Charter Hall Group's 2017 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 2017.

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 Tuesday, 31 October 2017 in accordance with the instructions on the website.

Item 2 – Re-Election 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.

On 20 December 2016, the Board appointed Mr David Ross as an additional director to 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 meeting such director may be eligible for election.

Mr David Ross is eligible to be elected as a Director of CHL and offers himself for election. Information about the background and experience of Mr Ross is set out below:

Mr David Ross – Independent Non-Executive Director

David joined the Board on 20 December 2016, and is currently a member of the Nominations Committee, Remuneration and Human Resources Committee as well as the Investment Committee.

David has over 30 years' corporate experience in the property industry and has gained his experience both within Australia and overseas, including a total of 8 years as Chief Executive Officer of GPT and Global Chief Executive Officer, Real Estate Investments for Lend Lease.

David is the Chair of Arena REIT, which owns, manages and develops property in the childcare and healthcare sectors. Previously, David held executive positions at GPT, Lend Lease and Babcock & Brown. Prior board appointments include a non-executive directorship with Sydney Swans Foundation Limited.

David brings considerable property funds management and listed corporate governance experience to the Board as well as insights into company performance and culture, gained through his prior senior executive positions.

David holds a Bachelor of Commerce from the University of Western Australia and an Associate Diploma in Valuation from Curtin University in Western Australia. David is a Fellow of the Australian Institute of Company Directors.

David resides in NSW and is 57 years of age.

Recommendation

The Directors of CHL (other than Mr Ross in respect of his election as a Director of CHL) unanimously endorse the election of Mr Ross as a Director of CHL.

Explanatory memorandum (cont.)

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 Key Management Personnel and Directors.

A copy of the Remuneration Report, which is part of the 2017 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 Harrison - Performance Rights & Options Plan (PROP) (Deferred proportion of Short Term Incentive (STI) awarded for FY17)

In accordance with Listing Rule 10.14, Charter Hall Group is seeking the approval of Securityholders for a proposed allocation of service rights to the Managing Director and Group CEO, at no cost to him, under the PROP. The allocation of service rights is the deferred portion of Mr Harrison's STI (equivalent to one third of his awarded STI for FY17).

Details of proposed allocation of Service rights under the PROP

Securityholder approval is sought for an allocation of 115,161 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 resolution in item 4 is approved, Mr Harrison will receive the service rights in lieu of receiving in cash, for one third of his awarded STI for FY17.

The only vesting condition is that Mr Harrison is employed by the Charter Hall Group on 30 August 2018 for 50% of the service rights, and on 30 August 2019 for the remaining 50% of the service rights, at which time each service right will convert into a Stapled Security.

(b) Date the service rights will be issued

If the resolution in Item 4 is approved by Securityholders, the service rights are proposed to be issued in two tranches to Mr Harrison as soon as practicable after the Meeting but no later than 30 August 2018 for 50% of the service rights (the **First Issue Date**), and 30 August 2019 for the remaining 50% of the service rights (the **Second Issue Date**) and in any event, no later than 3 years after the Meeting.

Each service right will convert into a fully paid Stapled Security on 30 August 2018 and 30 August 2019 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 the notice of meeting will not participate until approval is obtained under Listing Rule 10.14.

If the resolution in Item 4 is not approved by Securityholders, 50% of the deferred STI entitlement will vest on 30 August 2018, with a gross cash remuneration entitlement of \$303,333.50 to be paid no later than 30 August 2018.

The remaining 50% of the deferred STI entitlement will vest on 30 August 2019, with a gross cash remuneration entitlement of \$303,333.50 to be paid no later than 30 August 2019.

(c) Maximum number of service rights to be granted

The maximum number of service rights that may be awarded to Mr Harrison pursuant to the resolution proposed in Item 4 is 115,161 service rights.

(d) Vesting conditions of service rights

If Mr Harrison ceases to be employed (i.e. he resigns or is terminated for cause) by the Charter Hall Group:

- before 30 August 2018, the service rights or cash pay rights (depending on whether the resolution in Item 4 was approved by Securityholders) would be forfeited; or
- between 1 September 2018 and 30 August 2019, the second tranche (being the remaining 50%) of the service rights or cash pay rights (depending on whether the resolution in Item 4 was approved by Securityholders) would be forfeited.

If Mr Harrison's employment is terminated for any other reason:

- before 30 August 2018, the service rights or cash pay rights (depending on whether the resolution in Item 4 was approved by Securityholders) will vest; or
- between 1 September 2018 and 30 August 2019, the second tranche (being the remaining 50%) of the service rights or cash pay rights will vest (depending on whether the resolution in Item 4 was approved by Securityholders),

unless the Board determines otherwise.

(e) Basis for the quantum of the proposed issue of service rights to Mr Harrison**STI Overview**

In respect of FY17, any STI amount is subject to achieving 95% or more of the target annual Operating Earnings per Stapled Security (**OEPS**). STI payments for FY17 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 Mr Harrison against his individual performance measures established for FY17. The Board also retains the discretion to increase/decrease the STI amount available based on its assessment of overall performance.

The Managing Director's scorecard was divided into three performance measures, Financial, Customer and Leadership and Collaboration. Below is a summary of the

Managing Director's performance measures and KPIs for FY 2017 as assessed by the Board:

- Financial Measures (weighted at 50%) including Group OEPS; growth in funds under management; return on equity; net financial equity flows and property funds management margin;
- Customer (25%) including delivering exceptional customer experience and satisfaction and continuous improvement and innovation; and
- Leadership & Collaboration (25%) including talent optimisation, leadership contribution, succession planning, employee engagement initiatives and drive diverse and inclusive culture.

These performance measures were selected as they establish a clear link between executive reward, Charter Hall Group performance and our core strategic objectives of growth and resilience.

FY17 STI achievement

The number of service rights that Mr Harrison will be allocated has been determined by dividing the value of the deferred portion of his STI award for FY17 by the fair value of the service rights (i.e. \$5.268) calculated as an average price for each tranche using the Black-Scholes-Merton model determined by the Board on 19 September 2017, and based on a valuation report prepared by Deloitte equating to 115,161 service rights to Mr David Harrison.

(f) Other Matters

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

The PROP was first introduced in 2008.

ASX Listing Rule 10.14 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. CHC 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 2016. At the 2016 Annual General Meeting, Securityholders approved the issue of 119,240 service rights (which represents the FY16 deferred STI) and 330,178 performance rights (which represents the FY17 LTI and a pro-rata amount for FY16, reflecting the appointment of a sole Managing Director) to Mr Harrison, with a nil exercise price.

No amount was paid or payable on the issue of service rights and performance rights to Mr Harrison which were approved at the 2016 Annual General Meeting. Apart from Mr Harrison, 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.

Explanatory memorandum (cont.)

Recommendation

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

Item 5 - Issue of performance rights (PROP) Long Term Incentive (LTI) to Mr David Harrison

ASX Listing Rule 10.14 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. Consequently, Charter Hall Group is seeking approval of Securityholders for the proposed allocation of performance rights in respect of the financial year ending 30 June 2018, to Mr Harrison under the PROP.

Details of the proposed allocation of performance rights under the PROP

In respect of the financial year ending on 30 June 2018, Securityholder approval is sought for an allocation of three-year performance rights as an LTI for Mr Harrison, at no cost to him at the date of award or the vesting date (if applicable). The remuneration mix for Mr Harrison includes an amount for LTI as follows:

- 294,664 performance rights to Mr Harrison (equivalent to \$1,430,000) based upon an LTI 3-year aggregate value measured at 1 July 2017 of \$4.853 for each performance right.

The LTI constitutes a third of Mr Harrison's total remuneration for FY18. The balance comprises fixed remuneration of \$1,430,000 and an at-target annual STI of \$1,430,000. In determining Mr Harrison's remuneration and appropriate remuneration mix, the Chair and the Remuneration & Human Resources Committee jointly commissioned an independent review by Egan Associates (**MD Remuneration Review**). Mr Harrison's remuneration has not otherwise been increased since January 2016, at which time it was benchmarked to comparable CEO remuneration across the sector as at 30 June 2015.

In undertaking the review, Egan Associates had regard to 20 ASX listed entities ranked by market capitalisation on either side of the Charter Hall Group. In addition, consideration was given to the ASX listed entities ranked 20 positions either side of an assumed entity with an aggregate market capitalisation equal to the combined total of the Charter Hall Group, the Charter Hall Long WALE REIT and the Charter Hall Retail REIT. Egan Associates also considered Mr Harrison's current role and the market for established CEOs among REITs with varying attributes, specifically considering the fixed CEO remuneration payable by 9 industry specific comparator entities. Mr Harrison's FY18 remuneration, which reflects a 10% increase from his FY17 remuneration, is in accordance with the recommendation set out in the MD Remuneration Review. Two-thirds of Mr Harrison's remuneration is at risk and subject to both service and performance conditions.

(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, Mr Harrison 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 resolution in Item 5 is approved by Securityholders, the performance rights are proposed to be issued to Mr Harrison as soon as practicable after the Meeting, but in any case, no later than twelve months after the date of the 2017 Annual General Meeting (the **Issue Date**).

(c) Maximum number of performance rights to be provided

Up until 1 July 2020, the maximum number of performance rights that may be acquired by Mr Harrison pursuant to the resolution proposed in Item 5, is 294,664 performance rights based upon a valuation of \$4.853 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 FY18 LTI performance right issued on or after 1 July 2017 may vest on 1 July 2020. These rights cannot be exercised until after the release of the full FY20 results, with the securities granted pursuant to the rights also subject to a further twelve month holding lock until 30 June 2021.

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 2020 if the TSR for the three years from 1 July 2017 is between 9% and 12% per annum will be determined on a straight-line basis starting with 50% vesting at the lower end of the range and 100% vesting at the top of the range.

Relative TSR performance condition

The percentage that may vest on 1 July 2020 if the relative TSR for the 3 years from 1 July 2017 is between the 50th to 75th percentile of the Comparator Group will be determined on a straight-line basis. Vesting starts at 50% at the lower end of the range moving to 100% that will vest at the top of the range.

The Board has determined the Comparator Group for the FY18 LTI to be:

- Abacus Property Group (ABP)
- BWP Trust (BWP)
- Cromwell Property Group (CMW)
- Charter Hall Retail REIT (CQR)
- Dexu Property Group (DXS)
- Goodman Group (GMG)
- Growthpoint Properties Australia (GOZ)
- GPT Group (GPT)
- Iron Mountain Incorporated (INM)
- Investa Office Fund (IOF)
- Mirvac Group (MGR)
- National Storage REIT (NSR)
- SCentre Group (SCG)
- Shopping Centres Australasia Property Group (SCP)
- Stockland (SGP)
- Vicinity Centres (VCX)

The FY18 Comparator Group comprises the entities forming the S&P/AS200 A-REIT Accumulation Index (XPJAI as at 1 July 2017 excluding Westfield Corporation (WFD) due to assets being held outside Australia) and Charter Hall Group (CHC). The Board is able to determine the treatment of the companies in the comparator group at the Board's discretion.

General Conditions

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 2020 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 from 1 July 2017 to 30 June 2020. The base price of Charter Hall Group's securities for calculation of the total return is the VWAP for the month of June 2017, namely \$5.766, with the final price being the VWAP for the month of June 2020. If the performance conditions are met the rights will vest on 31 August 2020, Stapled Securities allocated on the automatic exercise of performance rights cannot be sold, transferred or otherwise dealt with until the end of the Restricted Period being 30 June 2021.

During the Restricted Period the employees will be entitled to vote and will receive distributions.

(f) Basis for the quantum of the proposed issue of performance rights to Mr Harrison

The Remuneration Framework for Mr Harrison is described in the Remuneration Report section of the Annual Report. In summary, it comprises fixed remuneration and benefits (fixed remuneration), a STI and a 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 as required by accounting standards. These figures have been determined, based on a valuation report prepared by Deloitte.

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 Mr Harrison is contained in the Annual Report.

Explanatory memorandum (cont.)

(h) Other matters

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

The PROP was first introduced in 2008.

ASX Listing Rule 10.14 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. CHC 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 2016.

At the 2016 Annual General Meeting, Securityholders approved the issue of 119,240 service rights (which represents the FY16 deferred STI) and 330,178 performance rights (which represents the FY17 LTI and a pro-rata amount for FY16, reflecting the appointment of a sole Managing Director) to Mr Harrison, with a nil exercise price.

No amount was paid or payable on the issue of service rights and performance rights to Mr Harrison which were approved at the 2016 Annual General Meeting. Apart from Mr Harrison, 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 Harrison) unanimously recommend that Securityholders vote in favour of the Item 5 resolution.

Item 6 – 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 \$400,000 from \$1.3 million per annum to \$1.7 million per annum. Based on existing remuneration arrangements, the current Fee Pool places constraints on the ability of the Board or Securityholders to appoint additional non-executive directors as may be necessary or desirable. Currently, the annual fees payable to the 5 non-executive directors total \$1.106 million.

It is proposed that an additional non-executive director be appointed as soon as practicable to fill an existing vacancy. After this appointment, the existing Fee Pool would not allow for the appointment of an additional non-executive director should that be considered appropriate.

The last increase to the Fee Pool was effective from 1 July 2014 (approved at the 2014 AGM). The 2014 increase followed an independent remuneration benchmarking report from Ernst & Young based on market capitalisation and fee data for FY13. From FY13 to FY17, the Charter Hall Group experienced considerable growth:

- Market capitalisation has increased 119% (from \$1.17b at 30 June 2013 to \$2.56b at 30 June 2017); and
- Australian FUM has increased 98% (from \$10b at 30 June 2013 to \$19.8b in at 30 June 2017).

In June 2017, the Remuneration & Human Resources Committee commissioned an independent remuneration benchmarking report from Egan Associates to determine, among other matters, appropriate non-executive directors' fees and payments (**Egan Report**). In assessing the Fee Pool and non-executive director fees, the Egan Report included an analysis of 8 specific comparator entities. These comparator entities included entities with substantially smaller fund and property management businesses. The proposed Fee Pool of \$1.7 million is lower than all but one of the comparator entities. In addition to recommendations about the Fee Pool, the Egan Report recommended an increase to non-executive director fees to reflect market practice and the accountabilities and workload of the Charter Hall Group directors. The Egan Report is the most comprehensive director fee review undertaken by the Board to date and the report's recommendations are reflective of the considerable growth of the Charter Hall Group business since 2014. In arriving at its conclusions, the Egan Report considered the revenue, assets and market capitalisation of the Charter Hall Group together with the accountability of the Board for the stewardship of approximately \$19.8 billion of funds under management. The current Chair fee and base director fees are lower than all but 1 and 2 of the specific comparator entities, respectively.

As at 1 July 2017, non-executive directors are paid a fee of \$150,000. This reflects an increase of \$27,000 from the FY16 base fees.

Additional fees are payable to members of Board Committees from 1 July 2017 are as follows. The FY17 Board Committee fees are also shown for information purposes.

Committee	Chair	Member
Audit, Risk and Compliance Committee	\$40,000 (FY17 \$30,000)	\$20,000 (FY17 \$15,000)
Remuneration and Human Resources Committee	\$30,000 (FY17 \$25,000)	\$15,000 (FY17 \$13,879)
Nominations Committee	\$3,000 (FY17 \$2,060)	\$3,000 (FY17 \$2,060)
Investment Committee	\$15,000 (FY17 \$4,500)	\$10,000 (FY17 No fee)

The fee payable to the Chair is \$375,000, inclusive of all Committee participation. This reflects an increase of \$67,500 from the Chair's FY17 fees. All of the above fees are per annum and inclusive of compulsory superannuation contributions. The fees reflect the recommendations made in the Egan Report.

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 Securityholders on the Item 6 resolution.

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 2017
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
Constitution	means the constitution of CHL
Corporations Act	the Corporations Act 2001 (Cth)
Directors	the directors of CHL and/or CHFML, as appropriate
Explanatory Memorandum	the explanatory memorandum that accompanies this Notice of Meeting
Key Management Personnel	has the meaning given in the Corporations Act
Listing Rules	Listing Rules of ASX
LTI	long term incentive
Managing Director and Group CEO	David Harrison
Meeting	the 2017 annual general meeting of CHL Shareholders and general meeting of CHPT Unitholders to be held together on 9 November 2017
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 holders of Stapled Securities
Stapled Security	means 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

Level 20, No.1 Martin Place,
Sydney NSW 2000

Telephone: +61 2 8651 9000
Facsimile: +61 2 9221 4655

Principal Register

Link Market Services
Level 12, 680 George Street,
Sydney NSW 2000

Telephone: 1300 303 063
Facsimile: +61 2 9287 0303
Proxy Facsimile: +61 2 9287 0309

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Charter Hall Limited

ABN 57 113 531 150

Charter Hall Funds Management Limited

ABN 31 082 991 786 AFSL No. 262861

As responsible entity for Charter Hall Property Trust

ARSN 113 339 147

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Charter Hall Group
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 664 498



X99999999999

PROXY FORM

I/We being a member(s) of Charter Hall Group and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **2:30pm on Thursday, 9 November 2017 at Charter Hall Group, Level 20, No. 1 Martin Place, Sydney NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

Important for Resolutions 2, 3, 4 and 5: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 2, 3, 4 and 5, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Election of Director – Mr David Ross	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Remuneration of Non-executive Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
3 Issue of Service Rights to Mr David Harrison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
4 Issue of Performance Rights (LTI) to Mr David Harrison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Joint Securityholder 2 (Individual)

Joint Securityholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

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HOW TO COMPLETE THIS SECURITYHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a securityholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's security registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's security registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:30pm on Tuesday, 7 November 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your 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).



BY MAIL

Charter Hall Group
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**