

# Charter Hall Group\*

## Notice of 2018 Annual General Meeting and Explanatory Memorandum

For a meeting to be held on Thursday, 15 November 2018  
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**



17 October 2018

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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 2018 Annual General Meeting of Charter Hall Group (the Meeting) for a briefing on the Group's operations for the 2018 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, 15 November 2018 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, 13 November 2018 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](http://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, 6 November 2018 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.

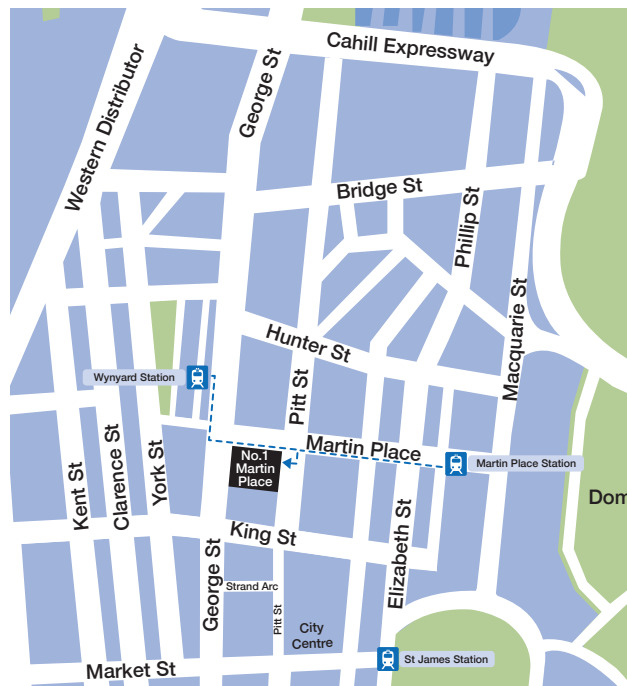
I look forward to your attendance at the Meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Clarke'.

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 15 November 2018

## 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.

## 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, Druiitt 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/](http://www.sydneybuses.info/) or phone 131 500.

# Meeting agenda

# Meeting protocol

## Thursday 15 November 2018

- 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](http://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](http://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, 15 November 2018.

## 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 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](http://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 2018.

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 resolutions of CHL:

- 2.1 *"That Ms Anne Brennan, a Director of CHL retiring in accordance with the CHL Constitution, is re-elected as a Director of CHL."*
- 2.2 *"That Mr Philip Garling, a Director of CHL retiring in accordance with the CHL Constitution, is re-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 2018 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 portion of Short Term Incentive (STI) for FY18)

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 98,241 service rights to Mr David Harrison as described in the Explanatory Memorandum."*

### Voting exclusions

Charter Hall Group will disregard any votes cast in favour of this resolution:

- by or on behalf of Mr Harrison or 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 this resolution 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 to Mr David Harrison – Performance Rights and Options Plan (Long Term Incentive (LTI))

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 304,238 performance rights to Mr David Harrison as described in the Explanatory Memorandum.”*

### Voting exclusions

Charter Hall Group will disregard any votes cast in favour of this resolution:

- by or on behalf of Mr Harrison or 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 this resolution or matters other than as a CHPT Unitholder.



# 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, 13 November 2018.

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, 13 November 2018 in accordance with the instructions listed on the attached proxy form.

Alternatively, Securityholders may vote online at [www.linkmarketservices.com.au](http://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, and 5) 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 – 5)

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 and 5, 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 and 5.

## 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  
17 October 2018



# Explanatory memorandum

## Item 1 – Annual Report

No Resolution is required for this item of business.

Copies of Charter Hall Group's 2018 Securityholder Review and Annual Report are available at [www.charterhall.com.au](http://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 2018.

Securityholders may also submit questions in advance by logging on to [www.linkmarketservices.com.au](http://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, 6 November 2018 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,

Each of Ms Anne Brennan and Mr Philip Garling is eligible to be re-elected as a Director of CHL and offers them self for re-election. Information about each of their background and experience is set out below:

### **Ms Anne Brennan – Independent Non-Executive Director**

Anne joined the Board on 6 October 2010 and is currently the Chair of the Remuneration and Human Resources Committee and a member of the Audit, Risk and Compliance Committee. Anne was last re-elected as a director of CHL in 2016.

Anne has more than 35 years' experience in audit, corporate finance and transaction services. Anne is an experienced executive and has held senior management roles in both large corporates and professional services firms. During her executive career, Anne was the CFO at CSR and the Finance Director of the Coates Group. Prior to her executive roles, Anne was a partner in three professional services firms: KPMG, Arthur Andersen and Ernst & Young. Anne was also a member of the national executive team and a board member of Ernst & Young.

Anne is currently a director of Argo Investments Limited, Metcash Limited and has previously served as a director of a number of other listed companies.

Anne brings considerable finance, operations and listed corporate governance experience to the Board.

Anne holds a Bachelor of Commerce (Honours) degree, is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

Anne resides in NSW and is 58 years of age.

### **Recommendation**

***The Directors of CHL (other than Ms Brennan in respect of her re-election as a Director of CHL) unanimously endorse the re-election of Ms Brennan as a Director of CHL.***

# Explanatory memorandum (cont.)

## Mr Philip Garling – Independent Non-Executive Director

Philip joined the Board on 25 February 2013 and is currently a member of the Nominations Committee, Remuneration and Human Resources Committee and is the Chair of the Investment Committee. Philip was last re-elected as a director of CHL in 2015.

Philip has over 35 years' experience in property and infrastructure, development, operations and asset and investment management. His executive career included nine years as Global Head of Infrastructure at AMP Capital Investors and 22 years at Lend Lease Corporation, including five years as CEO of Lend Lease Capital Services.

Philip is a director of Downer EDI Limited and was most recently, a director of Spotless Group Holdings Limited.

Philip brings considerable funds management, operations, development and listed corporate governance experience to the Board.

Philip holds a Bachelor of Building from the University of NSW, has completed the Advanced Management Program at the Australian Institute of Management and the Advanced Diploma at the Australian Institute of Company Directors. He is a Fellow of the Australian Institute of Company Directors, Australian Institute of Building and Institution of Engineers, Australia.

Philip resides in NSW and is 65 years of age.

## Recommendation

***The Directors of CHL (other than Mr Garling in respect of his re-election as a Director of CHL) unanimously endorse the re-election of Mr Garling 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 Key Management Personnel and Directors.

A copy of the Remuneration Report, which is part of the 2018 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 portion of Short Term Incentive (STI) awarded for FY18)

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 FY18).

## Details of proposed allocation of service rights under the PROP

Securityholder approval is sought for an allocation of 98,241 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 FY18.

The only vesting condition is that Mr Harrison is employed by the Charter Hall Group on 31 August 2019 for 50% of the service rights to vest, and on 31 August 2020 for the remaining 50% of the service rights to vest, 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 in any case, no later than 31 August 2019 for 50% of the service rights (the **First Issue Date**), and no later than 31 August 2020 for the remaining 50% of the service rights (the **Second Issue Date**).

Each service right will convert into a fully paid Stapled Security on 31 August 2019 and 31 August 2020 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 resolution in Item 4 is not approved by Securityholders, 50% of the deferred STI entitlement will vest on 31 August 2019, with a gross cash remuneration entitlement of \$293,150 to be paid no later than 31 August 2019.

The remaining 50% of the deferred STI entitlement will vest on 31 August 2020, with a gross cash remuneration entitlement of \$293,150 to be paid no later than 31 August 2020.

#### **(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 98,241 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 31 August 2019, the service rights or cash payment rights (depending on whether the resolution in Item 4 was approved by Securityholders) would be forfeited; or
- between 1 September 2019 and 31 August 2020, the second tranche (being the remaining 50%) of the service rights or cash payment 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 31 August 2019, the service rights or cash payment rights (depending on whether the resolution in Item 4 was approved by Securityholders) will vest; or
- between 1 September 2019 and 31 August 2020, the second tranche (being the remaining 50%) of the service rights or cash payment rights (depending on whether the resolution in Item 4 was approved by Securityholders) will vest,

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 FY18, any STI amount was subject to the Charter Hall Group achieving a threshold of 95% or more of the target annual Operating Earnings Per Security (OEPS). STI payments for FY18 reflected the Charter Hall Group achieving an OEPS which exceeded the Charter Hall Group target in addition to achieving other financial targets.

Once the OEPS threshold was reached, individual performance against other objectives became the basis for determining what STI payments were 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 FY18. 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 2018 as assessed by the Board:

- Financial Measures (weighted at 50%) including Charter Hall Group OEPS; annuity revenue growth, growth in funds under management; and maintain Charter Hall Group investment capacity;
- Customer (25%) including delivering exceptional customer experience with continuous improvement and innovation; and
- Leadership & Collaboration (25%), including driving an engaged inclusive, diverse culture with strengthening leadership and succession.

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.

##### **FY18 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 FY18 of \$586,300 by the fair value of the service rights (i.e. \$5.968) calculated as an average price for each tranche using the Black-Scholes-Merton model determined by the Board on 6 September 2018, and based on a valuation report prepared by Deloitte Touche Tohmatsu equating to 98,241 service rights to Mr David Harrison.

# Explanatory memorandum (cont.)

## (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 2017. At the 2017 Annual General Meeting, Securityholders approved the issue of 115,161 service rights (which represents the FY17 deferred STI) and 294,664 performance rights (which represents the FY18 LTI) 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 2017 Annual General Meeting. Apart from Mr Harrison, no Directors or associates of Directors are participants in the PROP or have been invited or are entitled 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 4 resolution.***

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

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 2019, 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 2019, Securityholder approval is sought for an allocation of three-year performance rights as an LTI for Mr Harrison. The remuneration mix for Mr Harrison includes an amount for an LTI of 304,238 performance rights (equivalent to \$1,687,000), based upon an independent valuation at 1 July 2018 prepared by Deloitte Touche Tohmatsu of \$5.545 for each performance right.

## (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 service and performance 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 2018 Annual General Meeting (the **Issue Date**).

## (c) Maximum number of performance rights to be provided

Up until 1 July 2021, the maximum number of performance rights that may be acquired by Mr Harrison pursuant to the resolution proposed in Item 5, is 304,238 performance rights based upon a valuation of \$5.545 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 FY19 LTI performance right issued on or after 1 July 2018 may vest on 31 August 2021. These rights cannot be exercised until after the release of the full FY21 results, with the securities granted pursuant to the rights also subject to a further twelve month holding lock until 30 June 2022.

The performance conditions are based on operating earnings per security and relative ASX total shareholder return (**TSR**) hurdles in equal proportions as follows:

### *Operating Earnings Per Security measure*

Each year, the Board reviews existing performance measures and their hurdles to ensure they align with Securityholder expectations and with the current Charter Hall business strategy.

The existing LTI performance measures (absolute and relative TSR) were initially introduced in July 2008 when the Executive Loan Securities Plan was discontinued.

A review of our peers noted that Charter Hall was the only company with absolute TSR as a performance measure and with two market related LTI measures.

After due consideration, the Board chose to retain the relative TSR measure and to replace the absolute TSR measure with an OEPS growth measure. The OEPS growth measure aligns the PROP with commercial long-term performance which is within the executive's ability to influence and aligns with Securityholder expectations.

The Board has approved the OEPS growth measure to be the aggregate OEPS of Charter Hall over the three-year performance period with the aggregate OEPS hurdles being determined based upon percentage annual compound growth rate ranges for the three-year performance period to be established at the commencement of the performance period (not varied year on year). The Board will publish the performance hurdles in the notice of meeting for the annual general meeting for the relevant performance period.

The Board has set the commencement OEPS for the FY19 grant as the FY18 adjusted OEPS of 33.837 cps (after tax) which is the FY18 actual OEPS result of 37.739 cps (after tax) less the Charter Hall Office Trust (**CHOT**) performance fee of 3.902 cps (after tax) recognised during the period. The actual aggregate OEPS (after tax) achieved during the three-year performance period will also exclude any recognised CHOT performance fees (after tax) to assess performance against the hurdles.

CHOT performance fees recognised in FY18 and potentially to be recognised in FY19 and FY20 are excluded from the OEPS because the Board has determined that the OEPS growth for FY19 to FY21 is best measured against FY18 operating earnings, excluding the CHOT performance fees generated due to the potential volatility and significance of the earnings contributed by these fees in these periods. As previously disclosed, CHOT has recognised an \$85 million performance fee payable to the Charter Hall Group on 30 April 2020, due to significant outperformance of the 12% equity IRR performance fee hurdle. The Board recognises the value created by management for CHOT investors and Securityholders through the performance of CHOT, however, considers that comparing OEPS over 3 years excluding these significant revenue items, best measures the performance of management in driving long term OEPS growth for Securityholders. A 5-7% OEPS growth hurdle range has been set to apply to OEPS adjusted for the CHOT performance fees.

For the FY19 grant, 50% of performance rights will vest on 31 August 2021 if the aggregate OEPS excluding any CHOT performance fee (after tax) over the 3 year performance period from 1 July 2018 to 30 June 2021 represents 5% per annum compound growth on the FY18 adjusted OEPS of 33.837 cps (after tax) (which equates to aggregate OEPS (after tax) of 112.004 cps over the 3 year performance period) and 100% vesting of performance rights if the aggregate OEPS excluding any

CHOT performance fee (after tax) over the 3 year performance period represents 7% per annum compound growth (which equates to aggregate OEPS (after tax) of 116.397 cps over the 3 year performance period), with progressive pro-rata vesting between 112.004 cps and 116.397 cps (i.e. on a straight line basis).

#### *Relative TSR performance condition*

Relative TSR performance is determined based on Charter Hall Group's total ASX return (assuming distributions are reinvested) ranking against the constituents of the comparator group (see below) over the performance measurement period. The performance measurement period is the three years from 1 July 2018 to 30 June 2021. Performance rights vest on 31 August 2021 if the ASX TSR of Charter Hall Group for the performance period ranks between the 50th to 75th percentile of the comparator group, with 50% of performance rights vesting at the 50th percentile and 100% vesting at the 75th percentile, with progressive pro-rata vesting between the 50th and 75th percentile (ie on a straight line basis).

The base price of Charter Hall Group's Stapled Securities for calculation of the total return is the VWAP for the month of June 2018, which was \$6.47, with the final price being the VWAP for the month of June 2021.

The Board has determined the comparator group for the FY19 LTI to be:

- Abacus Property Group (ABP)
- BWP Trust (BWP)
- Cromwell Property Group (CMW)
- Charter Hall Retail REIT (CQR)
- Charter Hall Long Wale REIT (CLW)
- Dexu Property Group (DXS)
- Goodman Group (GMG)
- Growthpoint Properties Australia (GOZ)
- GPT Group (GPT)
- 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)
- Viva Energy REIT (VVR)

The Board is able to determine the treatment of the companies in the comparator group at the Board's discretion.



# Explanatory memorandum (cont.)

## *General Conditions*

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

Any performance rights that fail to vest on 31 August 2021 are forfeited.

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

The Board considered that the aggregate OEPS performance hurdle is appropriate because it is a key driver of security price performance.

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

## **(e) Vesting period**

For this proposed LTI award the OEPS and relative ASX TSR performance measures will be assessed over the three-year period from 1 July 2018 to 30 June 2021. The service vesting condition is that the relevant employee is employed by the Charter Hall Group on 31 August 2021. If the performance conditions are met, the rights will vest on 31 August 2021. 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 2022.

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 base pay and superannuation (fixed remuneration), an STI and an LTI. For FY19, the Board gave Mr Harrison no increase in fixed remuneration or STI with the only increase allocated in his LTI (increased from \$1,430,000 to \$1,687,000) to align with the long-term performance of Charter Hall and increase his "at risk" remuneration in line with market.

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 performance rights.

## **(g) Securities held**

The number of Stapled Securities, options and performance rights currently held by Mr Harrison are set out on page 28 of the Annual Report.

**(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 2017.

At the 2017 Annual General Meeting, Securityholders approved the issue of 115,161 service rights (which represents the FY17 deferred STI) and 294,664 performance rights (which represents the FY18 LTI) 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 2017 Annual General Meeting. Apart from Mr Harrison, no Directors or associates of Directors are participants in the PROP or have been invited or are entitled 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.***



# Glossary

<b>Annual Report</b>	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 2018
<b>ASX</b>	ASX Limited
<b>Associate</b>	the definition provided in the note to Rule 14.11 of the Listing Rules
<b>Auditor or PwC</b>	PricewaterhouseCoopers
<b>Board</b>	board of Directors of CHL and/or CHFML, as appropriate
<b>Charter Hall Group</b>	CHL and CHPT and, where appropriate, their controlled entities
<b>CHFML or the Responsible Entity</b>	Charter Hall Funds Management Limited (ACN 082 991 786; AFSL 262861) in its capacity as responsible entity of CHPT
<b>CHL or the Company</b>	Charter Hall Limited (ACN 113 531 150)
<b>CHL Share</b>	a share in CHL
<b>CHL Shareholder</b>	a registered holder of a CHL Share
<b>CHPT</b>	Charter Hall Property Trust (ARSN 113 339 147)
<b>CHPT Unit</b>	a unit in CHPT
<b>CHPT Unitholder</b>	a registered holder of a CHPT Unit
<b>Closely Related Party</b>	has the meaning given in the Corporations Act
<b>Corporations Act</b>	the Corporations Act 2001 (Cth)
<b>cps</b>	Cents per security
<b>Directors</b>	the directors of CHL and/or CHFML, as appropriate
<b>Explanatory Memorandum</b>	the explanatory memorandum that accompanies this Notice of Meeting
<b>Key Management Personnel</b>	has the meaning given in the Corporations Act
<b>Listing Rules</b>	Listing Rules of ASX
<b>LTI</b>	long term incentive
<b>Managing Director and Group CEO</b>	David Harrison
<b>Meeting</b>	the 2018 annual general meeting of CHL Shareholders and general meeting of CHPT Unitholders to be held together on 15 November 2018
<b>Notice of Meeting</b>	this notice of Meeting and any notice of any adjournment of the Meeting
<b>OEPS</b>	Operating Earnings Per Security
<b>PROP</b>	Performance Rights and Options Plan of Charter Hall Group
<b>Register</b>	the register of Securityholders as maintained by Link Market Services Limited
<b>Remuneration Report</b>	the Remuneration Report included in the Annual Report
<b>Securityholders</b>	registered holders of Stapled Securities
<b>Stapled Security</b>	means a CHL Share stapled to a CHPT Unit
<b>STI</b>	short term incentive
<b>TSR</b>	total shareholder return
<b>VWAP</b>	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

## Registry

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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## LODGE YOUR VOTE

 **ONLINE**  
[www.linkmarketservices.com.au](http://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: 1300 664 498 Overseas: +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 **2.30 PM on Thursday, 15 November 2018 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 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 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*
<b>2.1</b> Re-Election of Director – Ms Anne Brennan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>5</b> Issue of performance rights (Long Term Incentive) to Mr David Harrison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>2.2</b> Re-Election of Director – Mr Philip Garling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
<b>3</b> Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
<b>4</b> Issue of service rights (Deferred portion of Short Term Incentive) 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).

## 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:

- 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
- 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" must 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](http://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 **2.30 PM on Tuesday, 13 November 2018**, 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](http://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 MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your securityholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### 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.**