

Charter Hall Group Annual General Meeting 2019

Chair's Address

I will now provide a short overview of our business, our board, and focus during FY19.

The 2019 financial year was one of significant change in financial markets. The Reserve Bank of Australia cut interest rates to record lows. Globally, bond yields have all moved significantly lower, with parts of the world experiencing negative interest rates. Concerns have surrounded the economic outlook for many economies, notwithstanding that most western countries have extremely accommodative monetary policy settings with unemployment at multi-decade lows and share markets at all-time highs.

Against this backdrop, we finished the 2019 financial year as we began it, focused on our strategy of utilising our expertise to access, deploy, manage and invest equity in our core real estate sectors, creating value and generating superior returns for our customers.

Our response to these market dynamics has been to focus on ensuring we have long-leased properties to high quality tenant partners. There are many macro and environmental factors we cannot control or influence. Instead, our primary focus is on the robustness of the cashflows of the properties we manage. The resilience of these cashflows is the foundation of our performance. Combined with a customer focus across the business, this underpins our growth.

This customer focus has seen us enjoy record equity inflows in financial year 2019. Additionally, the repeat tenant customer metrics, retention rates and customer interviews suggest the Group has an equal focus on both tenant and investor customers.

This focus on strategy delivered a 25% increase in operating earnings per security for the financial year, and a 6% increase in dividends. Over the past 5yrs we've been able to deliver securityholders 13% post tax growth in earnings per annum, and distribution growth of 12% per annum when the benefit of franking credits are included. Taking into account the change in security price and dividends paid, securityholders enjoyed a 72% return from investing in Charter Hall Group securities for the financial year 2019.

Looking forward, the group continues to be focused on executing the strategy that has delivered these results. We remain well positioned for the future. We began the FY20 financial year with \$4.1bn in available investment capacity. That consists of existing cash balances and available lines in our funds and on our balance sheet. Notwithstanding the growth already achieved in financial year 2020, we continue to retain significant additional investment capacity. This provides a buffer against any short-term volatility, an ability to move quickly to capture opportunities, while also providing a meaningful avenue for future growth.

The Board and Management remain committed to growing resiliently. This focus on resilience lies at the heart of the organisation.

This year we also took the opportunity to refresh our purpose and values and ensure they remain consistent with a culture of “doing the right thing”.

While our results demonstrate our performance focus, front and centre for us is our role as guardians of other people’s capital over the long term. That’s why our purpose, developed with input from investors, tenants and employees, is about achieving better futures and mutual success through bringing aspirations to life.

Supporting our purpose and guiding our decisions are our four values of active partnership, genuine insight, inventive spirit and powered by drive – a strong desire to look for new ways to help our people and customers grow. Our values ensure we keep strong as we grow and are our constant in this time of technological, environmental and societal change.

With resilience in mind, this year has also seen Charter Hall increase and extend its commitment to sustainability. After significant investigation and consideration, we have set a target of a 100% reduction in direct emissions (Scope 1 and 2) for the buildings we manage by 2030. “Net zero by 2030” is not an undertaking we have made lightly.

The impacts of this are far reaching. This year, we’ve maintained and expanded Australia’s largest Green Star footprint and continue to see improvement in our NABERS energy ratings across office and retail.

We've increased our renewable energy footprint from 2.5MW in 2018 to 5.2MW of solar PV across the portfolio and are also expanding our solar footprint with our retail power purchase agreements (PPAs) with Clean Peak Energy and Solgen.

During the period we became a signatory to the United Nations Global Compact. This significant commitment will see us engage in collaborative projects to advance the Sustainable Development Goals and make the UN Global Compact and its principles part of our strategy and culture.

In May 2018, we undertook a risk assessment of our supply chain in relation to human rights and modern slavery to develop our governance and management approach to the issue. Following this assessment, a Modern Slavery and Human Rights Working Group has been established to ensure that we monitor modern slavery and human rights risk.

We are also mindful of our role in the communities in which we operate. Our commitment to the philanthropic movement Pledge 1% continues to grow as we grow, reinforcing our philosophy of mutual success.

Our people are heavily engaged in the communities we operate in, with 378 employee volunteer days in community charities such as Rural Aid, where our retail centres and customers raised \$196,000 to support drought affected communities. I am proud that through our partnerships and people we invested \$775,000 in community programs and services across Australia.

The Charter Hall Board remain focused on providing clear governance and oversight to assist management in continuing to deliver for our stakeholders. We have always understood that embedding a high standard of ethics into our business, creating trust in the institution and the people who manage your wealth, is paramount. Our role as a Board is to serve you to maintain and build trust.

While discussing Board matters, it is also appropriate to acknowledge and thank the multiple independent Board and Investment Committee directors that operate within the Charter Hall Group, where we continue best practice with these boards comprising a majority of property

specialist Independent Directors representing the fund unitholders, none of which are on the Charter Hall Group Board.

In closing, the strong financial position of Charter Hall Group, and the quality and diversity of its underlying investments, is the result of hard work and the adherence to our strategy to access, deploy, manage and invest in real estate, creating value and generating superior returns for our customers.

As we continue to build on the Group's solid foundations, I take this opportunity to thank our customers, investors and securityholders and our highly skilled people for their continued support.

Finally, I would like to acknowledge the Traditional Owners of the Lands on which we meet today and where we conduct the Charter Hall Group's business around the nation, paying my respects to those communities and their Elders past and present.