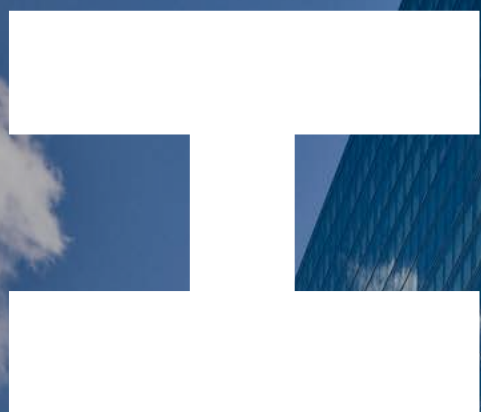
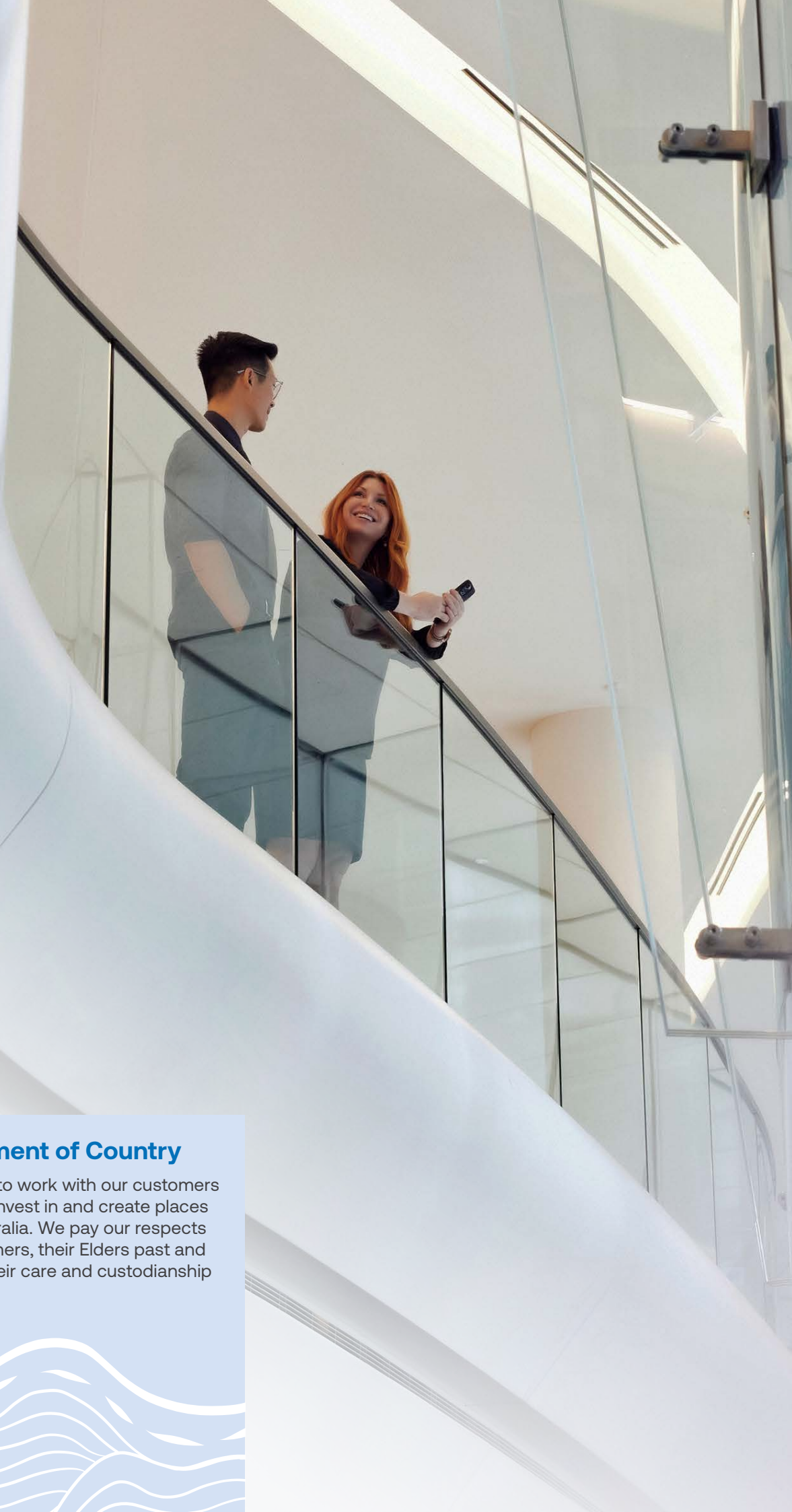


Charter Hall 



2022 ANNUAL REPORT

Charter Hall Group



Acknowledgement of Country

Charter Hall is proud to work with our customers and communities to invest in and create places on lands across Australia. We pay our respects to the Traditional Owners, their Elders past and present, and value their care and custodianship of these lands.



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Strategy¹

1 year



Access

Accessing equity from listed, wholesale and retail investors.

\$4.7bn

Gross equity allotted



Deploy

Creating value through attractive investment opportunities.

\$7.0bn

Acquisitions

\$1.6bn

Divestments

\$5.4bn

Net Acquisitions

\$8.5bn

Gross Transactions

\$2.7bn

Development Capex



Manage

Managing funds and assets, leasing and development services.

\$79.9bn

Group FUM
↑ \$27.6bn

\$65.6bn

Property FUM
↑ \$13.3bn



Invest

Investing alongside our capital partners.

\$509bn

Increase in PI
↑ 21.1%

23.2%

Total PI return²

¹ Page refers to Property FUM as PIM partnership occurred part way through FY22.

² Total Property Investment (PI) return is calculated as distributions received from Funds plus growth in investment value divided by the opening investment value of the PI portfolio for the 12 months to 30 June 2022. This excludes investments in new vehicles held for less than a year.

Our strategy remains focused on using our expertise to access, deploy, manage and invest equity to create value and generate superior returns for our investor customers.

3 years

\$15.1bn

Gross equity allotted

\$22.2bn

Acquisitions

\$4.7bn

Divestments

\$17.5bn

Net Acquisitions

\$26.9bn

Gross Transactions

\$5.7bn

Development Capex

\$35.2bn

Property FUM growth
\$11.7bn p.a.

\$1.1bn

Increase in PI
↑ 58.3%

15.6%

Total PI return

5 years

\$20.2bn

Gross equity allotted

\$28.9bn

Acquisitions

\$6.5bn

Divestments

\$22.4bn

Net Acquisitions

\$35.4bn

Gross Transactions

\$7.5bn

Development Capex

\$45.8bn

Property FUM growth
\$9.2bn p.a.

\$1.4bn

Increase in PI
↑ 88.7%

13.3%

Total PI return

FY22 performance highlights¹

Group Returns

Operating earnings

\$542.8m

Statutory profit²

\$911.1m

OEPS

115.6cps

89.5% ↑over FY21

Return on Contributed Equity³

31.4%

Contributed Equity
per security of \$3.92

Property Investments

Property Investment portfolio

\$2.9bn

↑\$509m

Total Property Investment return⁴

23.2%

Property Investment yield

5.6%

Funds Management

Group FUM⁵

\$79.9bn

↑52.8%

Property FUM

\$65.6bn

↑25.5% or \$13.3bn

Gross property transactions

\$8.5bn

Funds Management yield⁶

16.1%

¹ Figures and statistics throughout this report are for the 12 months to 30 June 2022 unless otherwise stated.

² Attributable to stapled Securityholders.

³ Return on contributed equity is calculated as total operating earnings post-tax per security divided by the opening contributed equity per security for the 12 months to 30 June 2022.

⁴ Total Property Investment (PI) return is calculated as distributions received from Funds plus growth in investment value divided by the opening investment value of the PI portfolio for the 12 months to 30 June 2022. This excludes investments in new vehicles held for less than a year.

Balance Sheet

NTA

\$6.26

↑27.5%

Credit rating⁸

Baa1

Investment Capacity

Group investment capacity⁷

\$7.9bn

5 Includes Paradise Investment Management (PIM) Partnership, with \$14.3bn of FUM.

6 Funds Management (FM) yield is calculated as FM operating earnings post tax per security (includes 50% allocation of net interest) divided by the opening NTA per security for the 12 months to 30 June 2022.

7 Investment capacity calculated as cash plus undrawn debt facilities for CHC and the funds management platform. At 30 June 2022, platform cash was \$1.3bn. Excludes committed and unallotted equity.

8 Charter Hall Group investment grade credit rating assigned by Moody's.

Purpose

Everything we do has a single-minded purpose: to create better futures by driving value and mutual success.

With partnership at the heart of our approach, we invest in people and places that help our customers and communities thrive. As a property investment and funds management company, we work closely with our tenant customers, investors, people and communities to unlock hidden value, provide superior returns and help businesses and individuals succeed.

United by our values



Active partnership

We believe that if everyone benefits, we benefit.



Inventive spirit

We create with purpose and discipline.



Genuine insight

We use expertise to unlock resilient growth.



Powered by drive

We put our passion into action.



Delivering in partnership



Our tenant customers

We use our national reach and local market expertise to deliver inventive, sustainable solutions for businesses. As cross-sector specialists, we think laterally to solve our tenant customers holistic needs, working together to create solutions that fulfil their requirements across office, retail, warehousing and distribution. Our commitment to tenant customers runs deep, and we continue to challenge ourselves to go above and beyond in our service.



Our community

Our goal is to stimulate positive impacts for communities. We foster meaningful employment in order to help build better futures for vulnerable young Australians and support healthier outcomes for all. We continue to work closely with a range of community partners through our long-standing commitment to the Pledge 1% movement, supporting organisations by investing our spaces, profits and our people's time.



Our investors

We have built a reputation for innovative investment funds that enable investors to realise their aspirations. We work hard to create stable investments with greater potential to generate consistent, superior returns. We invest alongside our capital partners to achieve mutual success. Our focus on quality, well-located assets with long-term leases delivers stability, returns and growth through market cycles.



Our environment

We continue to deliver sustainable outcomes with long-term impact, including making meaningful progress toward our Pathway to Net Zero. We partner with our customers, investors and capital partners to actively seek out opportunities to create environmental and social value, alongside financial outcomes, driving us to make decisions that have wide reaching benefits for our industry and the world.



Our people

As a people business, achieving more for our customers and communities is dependent on the talent we have. In the same way as we curate our portfolio, we curate our teams by deliberately seeking diverse and respectful contributors. To bring out the best in our people we provide the right environment – experience-based learning opportunities to accelerate their growth, flexible workspaces to foster innovation, and ways to connect them with the smarts of others to drive performance and well-being.

Chair message

The strong operational performance driven by our teams, combined with our diversified portfolio and disciplined approach to capital allocation, has seen the business once again deliver for our customers, partners, people and communities.

Dear Securityholder

In a year that saw a number of natural and geo-political challenges and uncertainties, we made progress in adjusting to COVID-19 and supporting our communities transition to a new normal of living with the virus.

The property sector provides spaces for people to gather and connect in meaningful ways. With the impacts of the pandemic still ongoing, we focused on designing places and providing experiences that are safe, welcoming and inclusive.

Against this backdrop, not only have we successfully managed these challenges, but by taking a measured and prudent approach, we have taken opportunities to grow. Charter Hall ended the year with \$79.9 billion in funds under management (FUM), holding the largest sector-diversified commercial property portfolio in Australia at \$65.6 billion.

I am proud of our partnership with our customers and communities, and the resilience and drive that our people have demonstrated to deliver an outstanding set of results once again. This is the culmination of talented, cohesive leadership and hard work over many years to diversify the Group across asset classes, customer types and equity sources.

We've ensured our portfolios are invested in high quality assets leased to best-in-class tenants, ensuring stability of income and valuation growth through times of uncertainty. Importantly, our model is one of partnership. It is the continued strength of our customer relationships and our ability to meet their evolving property needs that drives our ongoing success.

Continuing our strong track record

While this report measures our performance for the year to 30 June 2022, we see long-term performance as the true test of success. Over the past five years, we've delivered Securityholders 26.4% post tax growth in earnings per annum, and distribution growth of 6% per annum.

We know to achieve ongoing outperformance we need to both build on the strength of our customer relationships, as well as harness the talent within our business for mutual gain. We maintain a clear focus on serving our customers' needs, evolving our cross-sector tenant and investor relationships and investing alongside our partners.

Further, we also supported our people in their well-being and provided a dynamic workplace that fosters connection and performance. The macro-environment saw competition for key talent increase during the year. The Board knows our ability to attract and retain our leadership team and other key talent is critical to our long-term success. Consequently, we took steps to respond to changing expectations and remain competitive in the market, looking closely at our remuneration structure, retention plans and increasing the focus on providing dynamic and attractive workplaces for our people.

Investing in a sustainable future

Charter Hall's platform-wide integration of environmental, social and governance (ESG) is a core driver of continued value for the Group. We are active in partnering with our customers to create environmental and social value, at the same time as pursuing long-term, risk-adjusted returns that align with stakeholder expectations.

During FY22, we have continued to engage with our customers and evolved our sustainability framework to respond to material topics and emerging trends that will shape our future.

We introduced sustainable finance structures early in 2021. By the end of FY22, sustainable loans reached \$2.5 billion, comprising approximately 10 per cent of Charter Hall's total debt.

Right: David Clarke



We continued acting on our commitment to Net Zero carbon in operation (Scope 1 and Scope 2) by 2030. A key achievement on this journey was securing a long-term Power Purchase Agreement (PPA) that will supply 100 per cent electricity from renewable solar and wind sources across the Group's property portfolio. Our PPA is linked to new renewable development projects and our investment will assist Australia's transition to a low carbon economy. Further, this will accelerate the industry's growth and potential to secure new and improved renewable technologies, benefiting generations to come.

We continued to advance the Sustainable Development Goals as part of our commitment to the United Nations Global Compact and embed its principles in our strategy and culture. We were proud to once again be recognised in the PRI Leaders Group for our work in climate reporting.

This year, we also ranked eighth in the inaugural edition of the 2022 Asia Pacific Climate Leaders list (Statista/Financial Times/Nikkei). It's fantastic to be recognised on a global scale for our sustainability approach and our collective efforts with our customers and the broader community, to share knowledge, data, analytics and technologies to drive change, together.

We remain committed to building resilience in our assets to support customers through resource efficiency, carbon emission reduction and the integration of physical and transitional risks and opportunities of a changing climate to ensure we deliver long term value.

Meaningful social impact

As a group, we want our communities, especially those disadvantaged or left vulnerable, to be successful. We pursue this outcome by looking to improve access to learning, skills and job opportunities, strengthening our social impact through our supply chain partners and practices, and by opening up our assets to support activities that lead to economic uplift.

This commitment to social investment in communities is driven largely through our Pledge 1% commitment. This year we provided financial support to combat the local impacts of COVID-19 and flooding, access to vaccinations in the Asia Pacific and emergency support for Ukrainian refugee families, contributing \$578,000 in crisis support. We also provided our space, volunteered our time and donated \$1.27 million to social enterprises that are involved in our state-based community partnership program, focused on creating employment for vulnerable youths. We are targeting 1,200 employment outcomes by 2030 as part of this program.

We have also continued our approach to ensuring robust governance underpins our operations and upholding universal principles on human rights, labour, the environment and anti-corruption. In December, our second Modern Slavery Statement was completed, outlining efforts to prevent occurrences of modern slavery in our supply chain. Further, we completed a diagnostic assessment of our response to human rights and modern slavery and the findings will inform the development of our a 3-5 year modern slavery framework.

We looked to advance Indigenous reconciliation and inclusion through our operations. The Group's Stage one: Reflect Reconciliation Action Plan was endorsed by Reconciliation Australia and we are actively working on building our relationships and capacity with First Nations businesses.

Serving customers and Securityholders

A core responsibility of the Board is providing clear governance and oversight to assist management in continuing to deliver against the Group's strategy and entrench ethics in all actions. We will continue to serve you in this way.

This year we provided financial support to combat the local impacts of COVID-19 and flooding, access to vaccinations in the Asia Pacific and emergency support for Ukrainian refugee families, contributing \$578,000 in crisis support



Our Board is comprised of a majority of independent directors, in line with best practice. This composition provides us with the right mix of talent and skills with which to guide strategy and provide a strong overall contribution to the success of the Group.

In November 2021, we announced that Phil Garling had retired from the Board. Phil's valuable contributions over nearly nine years has helped guide the Group to the successful business it is today. I wish him all the best in the future and thank him for his service to our Securityholders.

I encourage all our Securityholders to review the Directors Report on page 44 to understand more about the Board.

Looking forward

The outlook remains uncertain for many advanced economies, with geopolitical challenges, potential pandemic outbreaks, high inflationary pressures and the continued likelihood of interest rate rises.

While we continue to work through and prepare for challenges, we must also look forward, setting out priorities that will deliver growth for Securityholders into the future. We know that the way through is to invest in our partnerships with our customers and support and invest in our dedicated team.

Charter Hall will continue to focus on our strategy of using our combined expertise to access, deploy, manage and invest to create value and generate superior returns for Securityholders.

I am confident the decisions we are making to build the Group for the future, together with continued strong operational performance and mutually beneficial partnerships, will see us continue to create value for our Securityholders and capital partners.

On behalf of the Board, I would like to thank our tenant customers, investors and Securityholders for your ongoing support. I extend gratitude to my fellow Directors and the Executive Committee for your dedication, and to all our people for their efforts, as together we continue to build a sustainable business we can be proud of.

David Clarke
Chair

Managing Director & Group CEO message

Dear Securityholder

Financial year 2022 (FY22) presented a range of challenges to economies around the world. Charter Hall continued to grow and deliver strong returns to Securityholders, despite significant setbacks that impacted many parts of the Australian economy. We harnessed our capacity to respond to surprises and maintained our customer centric strategy that enabled a continuation of long term growth and resilience. FY22 saw the Group deliver a record 115.6 cents per security of earnings, up 89.5% on FY21, while we retained a very strong balance sheet with no net debt providing “dry powder” for growth.

We continued to drive market leading transaction volumes and outperform respective benchmarks across most of our funds and partnerships. At the same time, we maintained a razor-sharp focus on our customers, as evidenced by continued success in leasing and pre-leasing of developments, results from our customer surveys and a leading volume of sale and leaseback transactions with tenant customers.

Overall, property funds under management (FUM) grew by \$13.3 billion, or 25.5% in FY22 to \$65.6 billion as we focused on deploying capital for our investors and generating FUM and earnings growth for Securityholders.

Further, FY22 also saw the Group extend its fund management capability into another asset class with the 50% acquisition of the listed equities fund manager Paradise Investment Management (PIM), which invests on behalf of wholesale and retail investors across domestic and global listed equities. When Paradise funds are included, Group FUM grew 52.8% to \$79.9 billion for the year.

After 17 years as a publicly listed Group, we are pleased to be delivering consistently strong results for our Securityholders, customers and our people.

Resilience in times of uncertainty

Our track record of originating and completing private transactions alongside our wholesale capital partners led to the successful privatisation of ALE Property Group by the Charter Hall Long WALE REIT and our long term partner, Hostplus.

Similarly, we extended our partnership with Dutch pension fund PGGM and were successful in privatising the listed Irongate REIT. These two transactions, totalling \$3.2 billion in combined portfolio value, demonstrate the Group’s ability to access large portfolios and deploy capital in complex transactions, providing opportunities for our investors to generate attractive risk adjusted returns.

Our development and leasing activity remained robust with growth in the Group's development pipeline to \$16 billion. We continued to enjoy strong leasing success in our office projects like the Amazon anchored 555 Collins Street development in Melbourne's CBD. We firmly believe that modern workplaces will continue to play a critical role for the majority of businesses and the economy and we continue to curate our portfolios to be responsive to changing tenant needs.

Our industrial and logistics business also continued to grow strongly as we looked to deliver new facilities that meet the needs of tenant customers. We delivered \$685 million of new industrial and logistics facilities through our development pipeline, as well as secured \$2.5 billion of new acquisitions for our funds. Charter Hall remains well positioned to capitalise on the accelerating demand for modern, purpose-built, highly efficient facilities and warehouses.

Our non-discretionary convenience retail portfolio continued to provide strong returns, as we partnered with our tenants to ensure our retail centres remained open throughout the year. Similarly, the essential nature of our social infrastructure portfolio and the importance of these assets to the community and the economy means these assets have a natural resilience. We continued to see opportunities to grow in this space and further our position as a market leading social infrastructure partner.

Right: David Harrison



Our property funds management portfolio is well-diversified comprising 1,548 properties, with a lettable area of 10.8 million square metres and delivering over \$2.8 billion in net rental income per year



We have looked to build resilience across all our assets and portfolios. Evidence of this is that 23% of all platform leases are triple-net. These assets are incredibly capital efficient, with the tenants responsible for all property related expenses and capital works. Similarly, we have been conscious to build portfolios that are positioned to benefit from rising inflation. 21% of all platform leases have inflation-linked annual rent escalations, providing valuable exposure to elevated inflation.

Long term performance

Financially, we continue to be disciplined and self-funded from a growth perspective via a consistent 6% per annum distribution growth policy that has facilitated retained cash earnings to reinvest in the growth of the business.

Importantly, our growth in earnings comes after-tax. On a post-tax basis, we delivered sector-leading 26.4% operating earnings per security (OEPS) growth rate (CAGR) annually over the last five years. Tax paid earnings also deliver valuable franking credits for our Securityholders. Grossed-up for franking credits, Securityholders received distributions worth 47.6cps for FY22. The quantum of franking credits delivered by Charter Hall to Securityholders makes us unique in the Australian real estate investment trust sector.

Quality property funds management portfolio

Our property funds management portfolio is well-diversified comprising 1,548 properties, with a lettable area of 10.8 million square metres delivering over \$2.8 billion in net rental income per year. Group WALE remains strong at 8.6 years and the weighted average capitalisation rate firmed to 4.37%, reflecting the low risk profile and high-quality assets in our funds and partnerships.

Active development pipeline

Our development capex during FY22 continued to make a meaningful contribution to both FUM growth and portfolio curation, with \$1.8 billion of development completions during the year.

The Group is progressing various developments across our portfolios, creating modern investment grade properties and adding significant value through enhancing income yield and total returns. Our development completions for FY22 have added significant incremental stabilised income to our portfolios. Our total development pipeline now stands at \$16 billion, with \$6.1 billion committed and under construction, providing for future portfolio curation and FUM growth.

Our \$5.9 billion industrial and logistics development pipeline is predominantly pre-leased to high quality tenants and will generate institutional quality long-leased assets for our funds. It will also provide attractive incremental FUM growth and enhance our ability to attract capital.

Our office pipeline of \$9.7 billion also continues to deliver attractive development returns and new office buildings. The Amazon anchored 555 Collins Street development in Melbourne's CBD is well progressed and has recently secured a 50% investment from long-term partner GIC, with completion expected in 2023.

Similarly, work has commenced and is progressing on schedule at 480 Swan Street, Richmond which will be the 32,000sqm Australia Post headquarters in Melbourne.

Valued relationships with our tenant customers

Strong relationships with our tenant customers continue to be an essential strategic focus. We are always looking for new ways to support our customers and actively partner with them to provide inventive solutions to meet their needs.

Our success with our tenants is reflected in the high level of repeat business – in fact, 71% of our tenant customers lease more than one tenancy across the platform. We see these customers as partners that often generate sale and leaseback opportunities.

Resilient Property Investment portfolio

Our Property Investment portfolio provides a strong alignment of interest with our investor customers, while also ensuring that Securityholders benefit from our property expertise. These earnings are characterised by the high quality of our tenants, the diversity of sectors, and the lack of concentration risk.

The portfolio has grown to \$2.9 billion, or 21.1% over the year, reflecting our strategy to invest alongside our capital partners and the growth achieved in underlying asset values. The portfolio has delivered an attractive 5.6% Property Investment yield, with further capacity for new investments from retained earnings and recycling of capital from co-investment stakes into new growth opportunities.

Occupancy is broadly stable at 97.3%, and the property investment portfolio WALE remains a healthy 8.2 years. Our weighted average rent review is relatively strong at 3.6%, boosted by our exposure to CPI-linked leases. We believe the Group's Property Investment portfolio is a very defensive, well diversified, core investment portfolio.

Culture is our bedrock

Our greatest asset is the people who work here, along with the executives and non-executive directors that represent investors on our various Boards of listed and unlisted funds. We never underestimate the breadth of experience and talent our sector-diverse business provides to our customers.

Our culture has long been one of our key strengths. I'm proud and inspired by the way our people continue to respond dynamically to the challenges we face. This culture is reflected in our employee engagement. For FY22, our engagement scores were at the highest performing level for global organisations at 88% overall, with 93% of our people saying that Charter Hall is a great place to work.

We continue to value and invest in diversity and inclusion across the business, actively seeking to attract and retain talented people from a wide range of experiences, backgrounds and perspectives to cultivate our inventive spirit. We recognise that the importance of diversity and inclusion goes beyond hiring diverse candidates. It must involve celebrating diversity - ensuring a sense of belonging and creating value for all our people. We were pleased to receive an Employer of Choice for Gender Equality citation by the Workplace Gender Equality Agency (WGEA). These achievements are important to us, and we will continue to prioritise making all our people feel supported, valued and encouraged to see a future for themselves at Charter Hall.

Outlook and guidance

Based on no material adverse change in current market conditions, FY23 earnings guidance is for post-tax operating earnings per security of no less than 90 cents. FY23 distribution per security guidance is for 6% growth over FY22.

My thanks, on behalf of the Executive Committee, to all our people for their hard work this year. I would also like to thank the Charter Hall Group Board for their continued strategic guidance along with the Independent Directors of our Fund Responsible Entity Boards.

Our strategy of using our property expertise to create value and generate superior returns for our investors and customers underpins our success.

We are proud of what has been achieved over more than three decades and continue to hold ambitious goals for the future. Finally, thank you to all our investors and tenants for continuing to be part of our Charter Hall Group community.



David Harrison
Managing Director & Group CEO



Capital sources

The diversity of our property portfolio and business model means we offer a wide range of investment options. Our approach to investment uses partnership and financial discipline to deliver stability and long-term growth.

	Wholesale pooled and partnerships	Listed	Charter Hall Direct
FUM	\$41.6 _{bn}	\$13.5 _{bn}	\$10.5 _{bn}
Occupancy	97.2%	99.3%	98.8%
Capitalisation rate	4.2%	4.7%	4.6%
Gearing	25.8%	27.7%	30.5%
WALE	8.0 _{yrs}	10.5 _{yrs}	8.2 _{yrs}
CHC investment	\$1.6 _{bn}	\$0.9 _{bn} ¹	\$0.5 _{bn}

¹ Held at accounting value not market value.



Industrial & Logistics

“With one of the largest national portfolios in the sector and a multi-billion dollar development pipeline, we’re focused on both established and key growth areas to support the changing landscape of consumer shopping and supply chains.

The scale, volume and diversity of our industrial and logistics assets leased to high quality tenant customers provides flexibility for us to grow together and build value over time.

We actively source off-market opportunities and invest in large fulfilment centres and facilities designed to meet growing last mile needs. We continue to work closely with our tenant customers to increase the productivity, sustainability and supply chain resilience of their operations.”

Richard Stacker
Industrial & Logistics CEO

Port Wakefield Road Distribution Facility, Gepps Cross SA

\$21.2_{bn}

Total FUM

3.9%

Capitalisation rate

264

Properties

10.7_{yrs}

WALE

\$5.9_{bn}

Development pipeline



Long WALE Retail

“Through active management and portfolio curation, our property portfolio provides investors with stable and secure income and exposure to long WALE assets with strong tenant covenants. Over the year, we continued to grow in a measured way, enhancing our platform with asset and tenant diversification, including the acquisition of the ALE Property Group in partnership with Hostplus.”

Avi Anger

Fund Manager, Charter Hall Long WALE REIT

\$9.9bn

Total FUM

4.1%

Capitalisation rate

733

Properties

11.5yrs

WALE

\$0.2bn

Development pipeline

Dan
Murphy's



Shopping Centre Retail

“We continue to be the leading owner and manager of property for convenience retailers, with a portfolio dominated by Australia’s major supermarkets and other tenants providing essential goods and services to local communities. Throughout the year, our strong focus on mutual success and deep customer relationships underpinned our approach and delivered resilient and growing income streams for investors.”

Ben Ellis
Retail CEO



\$4.4bn

Total FUM

5.4%

Capitalisation rate

53

Properties

5.4yrs

WALE

\$0.1bn

Development pipeline



Office

“Our bespoke approach to partnerships and ability to unlock potential underpin our growing \$26 billion office portfolio. Our strategy of investing in premium, magnetic workplaces in prized locations has driven this year’s acquisition of Southern Cross Towers in Melbourne and progressing our plans to realise the development potential of Chifley Square in Sydney.

We create places where people feel healthy, connected and inspired and, with the flight-to-quality more evident, we continue to work closely with our tenant customers to provide the best workplace environments for their people.”

Carmel Hourigan
Office CEO

\$26.0bn

Total FUM

4.7%

Capitalisation rate

80

Properties

6.1yrs

WALE

\$9.7bn

Development pipeline




Social Infrastructure

“With Australia’s largest listed social infrastructure REIT (ASX: CQE) as part of our portfolio, we support communities with essential services and continue to deliver income and capital growth for our investors. Our resilient portfolio has strong covenants and long WALEs to customers including government and Goodstart Early Learning.”

Travis Butcher

Fund Manager, Charter Hall Social Infrastructure REIT



Only About Children, Brighton East VIC

\$3.7bn

Total FUM

4.4%

Capitalisation rate

418

Properties

14.6yrs

WALE

\$0.1bn

Development pipeline



Charter Hall Direct

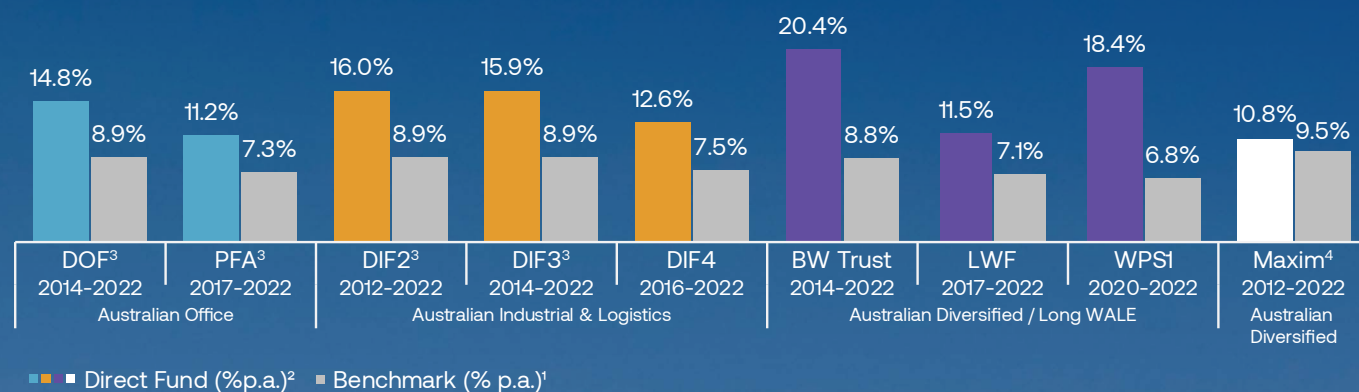
“As one of Australia’s leading direct property fund managers, Charter Hall Direct offers a growing, cross-sector portfolio, aiming to deliver regular income with capital growth. With a 25-year track record of managing unlisted property funds, we have consistently outperformed against the respective benchmark and continue to attract investors seeking diversification and sustainable investment returns.”

Steven Bennett
Direct CEO



Direct funds net return since inception

Funds have returned an average of 14.6% p.a., outperforming their respective MSCI/IPD indices¹ by 1.8x



1 Benchmark refers to the headline MSCI/IPD Unlisted Core Wholesale Property Fund Index returns series as at June 2022, since the respective fund inception dates. Years shown are indicative of inception year to 30 June 2022, though returns are as at exact inception date. Past performance is not a reliable indicator of future performance.

2 DIF2, DIF3, DIF4, LWF, DOF – returns assume Bonus Units or Entitlement Offer as per the respective PDS.

3 Returns refer to the following unit classes; DIF2, DIF3 – Wholesale, PFA – Ordinary and DOF – Wholesale A.

4 Benchmark refers to S&P/ASX 300 A-REIT Accumulation Index. Charter Hall Maxim Property Securities Fund and Benchmark Index returns series as at June 2022, over the past 10-year return period. Past performance is not a reliable indicator of future performance.



Sustainability

For more than 30 years, environmental, social and governance (ESG) considerations have been part of how we do business.

Each year, we go further in our ESG approach and objectives. Today, we leverage our platform-wide scale and integration of ESG into our business and value chain as a core driver of value for the Group.

During FY22, we have continued to engage with our customers and evolved our sustainability framework to respond to material topics and emerging trends that will shape our future. The framework focuses on delivering environmental, social, governance and economic value. Our framework is aligned with the United Nations Sustainable Development Goals (SDG) and our progress against the SDG indicators can be found on our website. This approach reinforces our commitment to delivering environmental and social value at the same time as pursuing long-term, risk adjusted returns that align with changing stakeholder expectations.

Our FY22 highlights



100%

renewable electricity from long-term Power Purchase Agreement locked in from FY24



\$2.5bn

in sustainable finance transactions (up from \$100m in FY21)



\$1.27m

invested in social enterprises and 191 employment outcomes for vulnerable Australians



54%¹

reduction in absolute emissions² against baseline year FY17



Climate Leader

8th in 2022 FT/Nikkei Asia Pacific Climate Leader



Winner

2022 Social Traders Game Changer Awards (NSW/ACT)



60k+

tonnes of carbon abated through renewables procurement



Employer of Choice

Awarded WGEA Employer of Choice for Gender Equality



Reflect

Reconciliation Action Plan launched

¹ Emissions reduction has been calculated using a market-based approach. Final assured non-financial data will be published in our FY22 Sustainability Report.
² Scope 1 and Scope 2 emissions in operational control.

Progress against our sustainability targets



Environment

Creating resilience through meaningful climate action, rethinking our approach to resources and restoring nature.

Focus areas	FY22 progress	Looking forward
Climate action Achieve Net Zero emissions and strengthen resilience to climate related impacts	Carbon and climate action <ul style="list-style-type: none"> – 54%¹ reduction in absolute Scope 1 and 2 emissions against FY17, including more than 60,000tCO₂-e avoided through procurement of renewable electricity – Progress on Scope 3 emission target aligned to science-based methodology by defining scope, boundary and expansion of tenant data coverage Clean energy <ul style="list-style-type: none"> – Group wide renewable PPA executed to enable the supply of 100% renewable electricity from offsite new renewable projects from 2024 – 74%¹ renewable electricity supply to assets in operational control, including 100% renewable electricity supply to office and I&L assets – 47.2MW of solar and 6.5MW of batteries installed, an increase of 6MW of solar since FY21 Energy efficiency <ul style="list-style-type: none"> – Achieved 5.1 star NABERS Energy for Office Portfolio rating, covering 96% of our office assets – Achieved 4.5 stars NABERS Energy for Retail Portfolio rating, covering 82% of our shopping centre assets – Pilot Australia's first industrial warehouse and cold storage NABERS Energy rating – Six of our funds included in the Top 10 NABERS Energy Sustainable Portfolio Index – Maintained Australia's largest Green Star Performance footprint covering over 5,200,000sqm Resilience and adaptation <ul style="list-style-type: none"> – Climate Change Adaptation Plan (CCAP) have been completed for 98% of retail shopping centres, 85% of office and 67% of industrial & logistics sectors – Refined consideration to Climate Change Risk Exposure in decision-making for new acquisitions 	<ul style="list-style-type: none"> – Net Zero emissions by FY30 – Commence reporting on Scope 3 emissions aligned to science-based target methodology in FY23 – Office developments to be Net Zero by FY30 – 100% powered by renewables for assets in operational control by FY25 – Target an additional 10MW of solar to be installed in I&L assets during FY23 – Commence solar installation program at select social infrastructure assets – Target 5.5 stars NABERS Energy for Office Portfolio by FY25 – Maintain 4.5 stars NABERS Energy for Retail Portfolio and increase rated coverage – Target 6 Star Green Star buildings for office developments and redevelopments from FY26 – Target 5 Star Green Star buildings for I&L developments by FY25 – Embed CCAP in decision making and track decarbonisation and adaptation planning in Strategic Asset Plans by FY25 – All developments will incorporate climate change adaptation and resilience criteria from FY23
Rethink resources Evaluate use of resources as we transition to a circular economy	Waste <ul style="list-style-type: none"> – Achieved 28%¹ diversion from landfill at shopping centres where we manage waste – Achieved 32%¹ diversion from landfill at office assets where we manage waste 	<ul style="list-style-type: none"> – Achieve 75% diversion from landfill at our office and shopping centres where we manage waste by FY30 – Progress waste strategy aligned to circular economy principles
Restore nature Protect and restore natural environments and biodiversity to transition towards a regenerative future	Water <ul style="list-style-type: none"> – Achieved 4.8 stars NABERS Water for Office Portfolio rating, covering 89% of our office assets – Achieved 4.1 stars NABERS Water for Retail Portfolio rating, covering 58% of our shopping centre assets – Rolled out water submeters in partnership with our key I&L tenant customers to optimise water usage 	<ul style="list-style-type: none"> – Maintain 5.0 stars NABERS Water for Office Portfolio rating by FY25 and target 4.5 stars for major developments from FY25 – Maintain 4.0 stars NABERS Water for Retail Portfolio rating by FY25; increase coverage to assets >10,000sqm



Social

Building strong communities through connection, inclusion and delivering healthy people and places.

Focus areas	FY22 progress	Looking forward
High performing talent Drive performance and engagement by leveraging difference and enabling potential	Employee <ul style="list-style-type: none"> – Achieved the global high performing level of engagement of 88% overall, with 93% of our people saying that we are a great place to work – Improved our score in the Australian Workplace Equality Index (AWEI) by 71% when compared with FY21, granting us the recognition as a Bronze Employer for LGBTQ+ inclusion – Reimagined the way we work through refurbishment of our Sydney office, providing spaces to think differently and work in a variety of ways 	<ul style="list-style-type: none"> – Sustain levels of engagement that align with being a global high performing culture
Deep customer partnerships Long term value creation through cross-sector partnership	Tenant customer engagement <ul style="list-style-type: none"> – Recorded high customer satisfaction across all sectors with our Net Promoter Scores (NPS) and satisfaction results maintained at 5-year highs in retail and 3-year highs in industrial & logistics – Awarded the Frank Lowy Fellowship (an industry innovation award) for the implementation of Autom8, which is a custom built automated platform for the collation of monthly retail sales data in our retail shopping centres 	<ul style="list-style-type: none"> – Create a benchmark to measure the cross-sector customer experience with Charter Hall, considering all aspects of how we partner with our customers
Strong communities Support resilient communities through inclusion and connected places	Community resilience <ul style="list-style-type: none"> – \$578k (of total \$1.27m donations to community organisations) supported communities impacted by COVID-19, floods, international access to vaccinations and emergency support for Ukrainian families First Nations engagement <ul style="list-style-type: none"> – Launched our Stage One: Reflect RAP, formalising our commitment to taking meaningful and lasting steps towards reconciliation – Became a member of Supply Nation and created spend dashboard for First Nations owned business and social enterprise 	<ul style="list-style-type: none"> – Establish a spend target in FY23 in support of building capacity across our value chain – Refine our national community partnership framework during FY23 – Measure and report spend with First Nations businesses by FY23
Healthy places Positive human health, safety and wellness outcomes through better workplace design and management	Health safety and well-being <ul style="list-style-type: none"> – Cared for our customers through COVID-19 with rent relief, hygiene initiatives, digital solutions and support with returning to workplace – Increased coverage of NABERS Indoor Environment rating in office sector by 10% to 1,200,000sqm and maintained WELL Portfolio rating – Recorded a Lost Time Injury and Lost Time Injury Frequency Rate (LTIFR) of 0 and a Total Recordable Injury Frequency Rate (TRIFR) of 3 	<ul style="list-style-type: none"> – Continue to support our tenants to transition to the future of work following COVID-19 – 100% of all office assets under operational control to have a WELL Portfolio rating by FY25 – Transition the WHS management system from ISO12001 to the new standard ISO45001 by FY23



Economic

Through shared economic prosperity and sustainable growth and mutual success.

Focus areas	FY22 progress	Looking forward
Shared success Shared economic success and sustained livelihoods for our communities and supply chain	Pledge 1% <ul style="list-style-type: none"> – Donated \$1.27m to community organisations across Australia and overseas – Spent \$1m in social procurement with social enterprises. Includes partnership with Two Good Co to provide soap for our office portfolio, which recently won the 2022 Social Traders Game Changer Awards (NSW/ACT) Employment opportunities <ul style="list-style-type: none"> – Achieved 191 employment outcomes for vulnerable youth through partnerships with Dismantle, Kickstart and Green Collect, exceeding target by 91% 	<ul style="list-style-type: none"> – As part of our Pledge 1% commitment, contribute 1% of our profits, space and people's time to community partners each year to help them achieve positive social impacts – Implement a social impact measurement tool by FY25
Sustained returns Long-term risk adjusted returns for investors	<ul style="list-style-type: none"> – Achieved \$2.5bn to date in Sustainable Finance transitions linked to green performance ratings and indicators 	<ul style="list-style-type: none"> – Leverage approach to ESG to support future sustainable financing opportunities



Governance

Operating a responsible business and ensuring responsible and sustainable supply chain engagement.

Focus areas	FY22 progress	Looking forward
Ethics Conduct business activities in line with the highest ethical standards	<ul style="list-style-type: none"> – All employees undertook training relating to business ethics and management's approach to compliance and ethical business practice and our social license to operate 	<ul style="list-style-type: none"> – Continue to embed values-based decision making into everything we do
Cyber security Harnessing digital technology and actively protecting customers privacy	<ul style="list-style-type: none"> – Reported no major cyber security incidents for the year. Cyber security strategy is modelled on internationally recognised standard ISO27001 and audited annually 	<ul style="list-style-type: none"> – Work across our technology and operational supply chain to increase cyber awareness, maturity and readiness by FY25
Responsible supply chain Procure sustainably and ethically	<ul style="list-style-type: none"> – Engaged our suppliers in the high-risk industries of cleaning and security. The PCA pre-qualification was sent to 33 cleaning and security suppliers, representing 100% of our total cleaning and security spend across our office, retail and I&L sectors 	<ul style="list-style-type: none"> – Deliver a Sustainable Supply Chain Framework that addresses modern slavery, preferred materials and circular economy principles by FY25
Transparency & disclosure Disclose ESG information in accordance with best practice	<ul style="list-style-type: none"> – 26 funds participated in GRESB assessment – Published our second annual Modern Slavery Statement – Published our second TCFD Statement – Participated in DJSI 	<ul style="list-style-type: none"> – Actively monitor progress of International Sustainability Standards Board and future integration of environmental and financial metrics

Climate related risks and opportunities

In late 2021, the Inter-Governmental Panel on Climate Change (IPCC) released their sixth assessment report (AR6), which included Shared Socioeconomic Pathways' (SSP) and updates to global warming projections and emissions pathways.

Below is a summary of measures Charter Hall Group has undertaken this year to align with the Task Force on Climate-related Financial Disclosure (TCFD):

Governance

- Charter Hall Group Board continued to oversee sustainability strategy and policies (including approach to climate change and integrating ESG) through the Audit Risk and Compliance Committee (ARCC)
- Executive and Non-Executive Directors engaged on Climate Change Scenario planning, specifically adopting Socio-Economic Pathways and adjusting to plausible Emissions Pathways as released by the IPCC with Assessment Report 6 (AR6)
- Executive Committee continued to have strategic oversight of ESG strategy and implementation, led by the ESG Committee to drive platform-wide alignment and implementation
- Cross-business engagement on Climate Change continued including with Chief Financial Officer, Chief Investment Officer, Chief Experience Officer, General Counsel and Company Secretary, and Group Head of Risk and Compliance

Strategy

- Updated Climate Scenarios
- 100% Renewable Electricity by 2025 for all Charter Hall office locations and assets under operational control
- Progress on Scope 3 emissions target aligned to science-based methodology by defining scope and boundary

Risk management

- Implemented our Climate and Carbon Transaction Framework for acquisition and investment strategies
- Continued to progress Physical Risk assessments in office, retail and industrial & logistics portfolios
- Climate Change Adaptation Plans have been completed for 98% of retail shopping centres, 85% of office and 67% of industrial & logistics sectors
- Secured long term renewable supply linked to new renewable development projects between 2024 and 2030

Metrics and targets

Target

- Established Net Zero Carbon Scope 1 and 2 by 2030
- 100% renewables by 2025

Achieved

- **54%**¹ reduction in absolute Scope 1 and 2 emissions against FY17, achieved through energy efficiency and procurement of renewable electricity
- Increased our green financing from zero 18 months ago to **\$2.5 billion** at the end of this reporting period linked to sustainability benchmarks

New developments

- Designing for Net Zero in operations at 480 Swan Street, Richmond VIC
- Focus on exploring methods to reduce upfront (embodied) carbon

¹ Emissions reduction has been calculated using a market-based approach. Final assured non-financial data will be published in our FY22 Sustainability Report.

Charter Hall Climate Scenarios

Building on our existing scenario analysis which was based on Representative Concentration Pathway (RCP) 2.6 'best case' and RCP8.5 'business-as-usual' (worst case) scenarios, in FY22 Charter Hall updated its scenario planning to incorporate the socio-economic indicators of climate change. When coupled with RCPs, the SSPs provide a more complete picture of risks and opportunities that arise across a range of plausible climate change outcomes and societies response.

As a business, we acknowledge that there are global uncertainties which relate to both emissions pathways and the pace of policy implementation, as well as the effectiveness of technology and pace of investment.

Our updated scenarios have been created to test future climate related risks and opportunities for the Group.



Scenario 1 Technology & Policy Effectiveness

This scenario is a “middle of the road scenario” which tests the effectiveness of technology and policy response to decarbonising a growing economy. Continuing current socio-economic trends rely on technology and policy effectiveness to limit global warming.

Degree warming potential of 3.0°C or assuming extreme mitigation efforts are in place, well below a 2°C outcome.

SSP2
RCP6.0 to RCP2.6



Scenario 2 Equitable Well-being

This scenario tests demand side enablers of rapid decarbonisation driven by a unified desire to create equitable well-being for all. Well-being is likely to increase global technology adoption and policy effectiveness, therefore reducing global warming beyond current forecasts.

Degree warming potential of 2.5°C, or assuming extreme mitigation efforts are in place an opportunity to achieve a 1.5°C outcome.

SSP2 shifting towards SSP1
RCP4.5 to RCP2.6



Scenario 3 Regional Rivalry

This scenario tests supply side challenges to global decarbonisation which are expected to occur from increased physical climate change impacts which causes increased regional rivalry and resource protectionism. Scenario 3 is likely to see a breakdown in international policy collaboration and investment in clean technology, causing higher temperatures than forecast in Scenario 1.

Degree warming potential of 3.5°C or, assuming extreme mitigation efforts are in place, an opportunity to achieve a 2.5°C outcome.

SSP2 shifting towards SSP3
RCP7.0 to RCP3.4

Board of Directors



From Left: **Jacqueline Chow**, Independent Non-Executive Director;
Karen Moses, Independent Non-Executive Director;
Philip Garling AM, Independent Non-Executive Director (retired);
David Clarke, Chair/Independent Non-Executive Director;
David Harrison, Managing Director & Group CEO;
David Ross, Independent Non-Executive Director;
Greg Paramor AO, Independent Non-Executive Director

See page 50-52 for information on the Directors.

Executive Committee



From Left: **Ben Ellis**, Retail CEO;
Carmel Hourigan, Office CEO;
Steven Bennett, Direct CEO;
Sheridan Ware, Chief Information and Technology Officer;
David Harrison, Managing Director & Group CEO;
Russell Proutt, Chief Financial Officer;
Richard Stacker, Industrial & Logistics CEO;
Natalie Devlin, Chief Experience Officer;
Sean McMahon, Chief Investment Officer

David Harrison

Managing Director & Group CEO
BBus (Land Economics), FAPI, GradDip Applied Finance

See page 51.

Ben Ellis

Retail CEO

After 23 years in the business, Ben leads our retail sector with strong funds management experience and excellent long-term relationships. Ben's career with Charter Hall underpins his detailed understanding of every aspect of the retail portfolio including strong tenant customer relationships.

Prior to becoming retail CEO, Ben held several roles with Charter Hall including the Head of Capital Transactions for 2.5 years, overseeing more than \$25 billion of gross transactions across all sectors. Ben was also Head of Wholesale within the retail division, growing the Wholesale (retail) platform to nearly \$8 billion over a 5-year period. Ben brings significant experience to the Charter Hall retail platform, from leasing to asset and development management, domestically and abroad.

Ben is driven by his passion to foster strong and sustainable relationships that add value for investors, tenant customers, partners and communities.

Carmel Hourigan

Office CEO
BBus (Land Economics), GradDip Finance and Investment

Carmel has over 30 years' industry experience, spanning key senior leadership positions and roles in funds management, research and advisory services.

Joining Charter Hall in 2020, Carmel leads the \$26 billion office sector from end to end including funds management, asset management, development and property management teams. She helps develop the overall strategy and objectives for the office funds in conjunction with Charter Hall Fund Managers and investors, and guides the portfolio management, capital transactions, treasury and property trust management teams to execute strategy.

Prior to joining Charter Hall, Carmel held the position of Global Head of Real Estate at AMP Capital, in addition to overseeing their strategic global real estate partnerships and real estate investment committees. Prior to AMP Capital, Carmel held senior positions at GPT Group, Lend Lease and Challenger Financial Services Group.

Carmel formerly sat on the Property Council of Australia Board of Directors and was Vice President. She also served as Special Advisor to the Property Male Champions of Change group.

Steven Bennett

Direct CEO
BBA

Steven is CEO of the Direct Property business within Charter Hall. In addition to overseeing more than \$10 billion of assets on behalf of self-managed super funds, high net worth and direct investors, Steven manages a team of property and funds management professionals who are responsible for unlisted property funds across all the core real estate sectors. His day-to-day responsibility includes overseeing asset management and tenancy services, managing the financial structure of the funds, stakeholder communications and raising new equity capital.

Steven was elected President of the Property Funds Association for a two-year period ending in April 2021 and is a current member of the NSW PCA Divisional Council and a Member of NSW PCA Diversity Committee.

Prior to joining Charter Hall, Steven worked for Macquarie Bank for seven years in Sydney and London. Steven has over 20 years' of experience in funds management, banking, property, accounting and consultancy and is a member of the Institute of Chartered Accountants in Australia and New Zealand.

Sheridan Ware

Chief Information and Technology Officer
BA, MBA

Sheridan joined Charter Hall in 2019 with 22 years' experience helping companies drive commercial value and increased customer engagement through cultural and digital transformation. She has worked across a wide range of industries including commercial real estate, government and not-for-profit across multiple global markets.

Sheridan is responsible for all strategic and operational aspects of technology at Charter Hall, is Vice Chair of the Property Council of Australia's Cyber Security Roundtable and an Adjunct Associate Professor and Industry Advisory Committee member for the property economics undergraduate programs at UTS.

Prior to joining Charter Hall, Sheridan spent 11 years at Cushman & Wakefield in a variety of roles covering strategy, business transformation and technology; most recently as Chief Information Officer of their Asia Pacific business. She has won multiple awards for her contributions to thought leadership in the commercial real estate field.

Russell Proutt

Chief Financial Officer
BCom (Hons), CA, CBV

Russell joined Charter Hall in 2017 and brings over 32 years' finance experience to the Group, including property and infrastructure investment management in North America, Australia and broader Asia, as well as extensive M&A and financing capability across global markets.

Prior to joining Charter Hall, Russell was with Brookfield Asset Management for 12 years as a Managing Partner based in Canada and, most recently, Australia where he worked in property and infrastructure sectors throughout the Asian region. Prior to joining Brookfield, Russell spent 15 years in investment banking and the financial services sector in North America.

He has a breadth of knowledge across commercial property markets and broad experience across infrastructure and private equity investments, mergers and acquisitions, transactions and finance functions.

Richard Stacker

Industrial & Logistics CEO
BBA (Accounting and Finance)

Richard has over 30 years of experience in real estate funds management, real estate finance, accounting and risk management. With experience across all sectors, he has led the establishment, structuring and management of new funds, overseeing the transactional, development, asset and property management.

In 2018, Richard became CEO of Charter Hall's industrial & logistics real estate business following his role as Head of Global Investor Relations. In this role, Richard leads a team of 60 industrial & logistics property specialists, including investment management, development, asset and property management professionals. Richard is also a Board member of Charter Hall's unlisted retail investor business, Charter Hall Direct, having previously headed this business. Richard represents Charter Hall on the Board of Advisers for the Property Industry Foundation.

Prior to joining Charter Hall, Richard held the roles of Division Director of Macquarie Group and CEO of Macquarie Direct Property Management Limited; General Manager with Lendlease Corporation; and senior manager with PricewaterhouseCoopers. He is a member of the Institute of Chartered Accountants in Australia.

Natalie Devlin

Chief Experience Officer
BA, Postgrad Dip in MR Management

Natalie has over 20 years' of experience across Asia Pacific, leading and implementing organisational development and transformational change. In her 10 years at Charter Hall, she has focused on defining and bringing to life its unique market proposition, built upon a philosophy of "better futures and mutual success" for customers, employees and communities. Using the levers of capability, brand, culture and workplace, Natalie is integral to how we scale and transform the Group, driving cross sector connectivity and ensuring we retain our inventive spirit as we grow. She has driven the Group's ESG strategy, including its ongoing commitment to creating strong local communities and tangible outcomes for vulnerable Australians using the Pledge 1% framework, as well as the development of our Pathway to Net Zero by 2030.

Passionate about continuous improvement, Natalie's previous roles include Head of People and Development at Valad Property Group, where she established the human resources function during its rapid growth period, and Head of HR, Asia Pacific for a multinational publishing company, where she transformed its operating model.

Sean McMahon

Chief Investment Officer
BBus (Property)

Sean has over 30 years of property, construction, finance and investment banking experience in the real estate sector and across listed, wholesale and direct capital markets. He is responsible for the Group's strategy and balance sheet investments, mergers and acquisitions, with oversight for multi-sector property transactions and corporate development. Sean is also responsible for the diversified sector and related development activities, while overseeing the wholesale investor relations, legal and CoSec teams.

Sean brings a wealth of experience across investment markets and diversified sectors, driving the development of corporate and fund strategies, capital allocation and reinvestment programs. Across his career, Sean has played key roles in over \$100 billion of transactional activity across domestic and international markets.

Prior to joining Charter Hall, Sean worked at diversified property group Australand (now known as Frasers) as Chief Investment Officer and was responsible for the Group's investment in office, industrial, residential and retail property developments. Before this, Sean was a senior executive in the Property Investment Banking division at Macquarie Bank.

Directors' Report and Financial Report

For the year ended 30 June 2022

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Directors' report

For the year ended 30 June 2022

The Directors of Charter Hall Limited and the Directors of Charter Hall Funds Management Limited, the Responsible Entity (RE) of Charter Hall Property Trust, present their report together with the consolidated financial report of the Charter Hall Group (Group or CHC) and the consolidated financial report of the Charter Hall Property Trust Group (CHPT) for the year ended 30 June 2022, and the independent auditor's report thereon. The financial report of the Group comprises Charter Hall Limited (Company or CHL) and its controlled entities, which include Charter Hall Funds Management Limited as the RE of Charter Hall Property Trust (Trust) and CHPT and its controlled entities. The financial report of the Charter Hall Property Trust Group comprises the Trust and its controlled entities.

Charter Hall Limited and Charter Hall Funds Management Limited have identical Boards of Directors. The term Board hereafter should be read as a reference to both these Boards.

The units in the Trust are 'stapled' to the shares in the Company. A stapled security comprises one Company share and one Trust unit. The stapled securities cannot be traded or dealt with separately.

Directors

The following persons were Directors of the Group during the year and up to the date of this report.

- | | |
|---------------------|---|
| – David Clarke | – Chair and Independent Non-Executive Director |
| – Jacqueline Chow | – Independent Non-Executive Director |
| – Philip Garling AM | – Independent Non-Executive Director (retired 11 November 2021) |
| – David Harrison | – Managing Director and Group CEO |
| – Karen Moses | – Independent Non-Executive Director |
| – Greg Paramor AO | – Independent Non-Executive Director |
| – David Ross | – Independent Non-Executive Director |

Distributions/Dividends – Charter Hall Group

Distributions/dividends paid/payable to stapled securityholders during the year were as follows:

	2022 \$'m
Final ordinary distribution of 11.27 cents and ordinary dividend of 9.2 cents per stapled security for the six months ended 30 June 2022 payable on 31 August 2022	96.8
Interim ordinary distribution of 11.33 cents and interim ordinary dividend of 8.33 cents per stapled security for the six months ended 31 December 2021 paid on 28 February 2022	91.6
Total Distributions/Dividends paid and payable to stapled securityholders	188.4

Operating and financial review

The Group recorded a statutory profit after tax attributable to stapled securityholders for the year to 30 June 2022 of \$911.1 million compared to a profit of \$476.8 million for the year ended 30 June 2021.

Operating earnings amounted to \$542.8 million for the year to 30 June 2022, compared to \$284.3 million for the year ended 30 June 2021, an increase of 90.9%. Operating earnings is a financial measure which represents statutory profit after tax adjusted for the items in the table below. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

	2022 \$'m	2021 \$'m
Operating earnings attributable to stapled securityholders	542.8	284.3
Add: Net fair value movements from investment properties on equity accounted investments ¹	355.9	228.0
Add: Net gain/(loss) on disposal of property investments ¹	0.3	0.5
Less: Non-operating income tax benefit/(expense)	(13.1)	(1.5)
Less: Realised and unrealised net gains/(losses) on derivatives ¹	70.1	7.2
Less: Impairment of equity accounted investments	(18.5)	(6.9)
Less: Performance fees expense ¹	(14.4)	(15.9)
Less: Non-operating pursuit recoveries/(costs)	1.4	(4.6)
Less: Amortisation of intangibles	(0.7)	(1.5)
Less: Other ¹	(12.7)	(12.8)
Statutory profit after tax attributable to stapled securityholders	911.1	476.8

¹ Includes the Group's proportionate share of non-operating items of equity accounted investments on a look through basis.

Operating and financial review continued

The 30 June 2022 financial results with comparatives are summarised as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
Revenue (\$ million) ¹	1,098.3	668.0	28.1	26.7
Statutory profit after tax for stapled securityholders (\$ million)	911.1	476.8	503.8	310.5
Statutory earnings per stapled security (EPS) (cents)	194.1	102.4	107.3	66.7
Operating earnings for stapled securityholders (\$ million)	542.8	284.3	n/a	n/a
Operating earnings per stapled security (cents)	115.6	61.0	n/a	n/a
Distribution/dividend per stapled security (cents)	40.1	37.9	22.6	22.7
Property investment segment earnings (\$ million) ²	142.9	123.0	n/a	n/a
Development investment segment earnings (\$ million) ²	35.5	34.2	n/a	n/a
Funds management segment revenue (\$ million) ²	703.0	319.5	n/a	n/a
Total assets (\$ million)	4,192.6	3,284.7	3,024.1	2,658.5
Total liabilities (\$ million)	902.9	773.6	560.0	615.2
Total net assets (\$ million)	3,289.7	2,511.1	2,464.1	2,043.3
Net assets attributable to non-controlling interest (\$ million) ³	43.2	137.5	43.2	137.5
Net assets attributable to stapled securityholders (\$ million)	3,246.5	2,373.6	2,420.9	1,905.8
Stapled securities on issue (million)	473.0	465.8	473.0	465.8
Net assets per stapled security (\$)	6.86	5.10	5.12	4.09
Net tangible assets (NTA) attributable to stapled securityholders (\$ million) ⁴	2,960.3	2,288.8	2,420.9	1,905.8
NTA per stapled security (\$) ⁴	6.26	4.91	5.12	4.09
Balance sheet gearing ⁵	0.0%	5.0%	n/a	n/a
Funds under management (FUM) (\$ million) ⁶	79,930.1	52,288.9	n/a	n/a
Property funds under management (\$million)	65,639.1	52,288.9	n/a	n/a

1 Gross revenue does not include the Group's share of net profits of associates and joint ventures of \$544.9 million (2021: \$314.0 million).

2 Segment earnings and revenue is used by the Board in assessing the performance and allocating of resources to its operating segments.

3 Represents 54.9% non-controlling interest share of Charter Hall Wholesale Property Series No.2 (WPS2) (2021: represented 67.7% non-controlling interest share of the Charter Hall Direct Long WALE Fund (DLWF). Interest in DLWF was disposed of during the year and resulted in deconsolidation.)

4 NTA attributable to stapled securityholders and NTA per stapled security (\$) are calculated using assets less liabilities, net of intangible assets (including goodwill recorded in the carrying value of equity accounted investments and share purchase option derivatives) and related deferred tax and non-controlling interests in NCI not related to CHPT. NTA includes right of use assets.

5 Gearing is calculated as interest-bearing debt drawn (excluding hedged foreign exchange movements subsequent to the related debt drawing) net of cash, divided by total assets net of cash and derivative assets.

6 Includes 100% of Paradise Investment Management Funds Management Portfolio (\$14.3bn), of which the Group owns 50%.

Operating and financial review continued

Property investment

Property investment provides the Group with yields from its co-investments in Group funds. During the year property investment contributed \$142.9 million (30 June 2021: \$123.0 million) in segment earnings to the Group.

The Group's property investments are classified into the following real estate sectors:

- Industrial & Logistics;
- Long WALE Retail;
- Office;
- Social Infrastructure;
- Shopping Centre Retail; and
- Diversified.

The following table summarises the key metrics for the property investments of the Group:

	Ownership stake (%)	Charter Hall investment (\$m)	FY2022 Charter Hall investment income ¹ (\$m)	Weighted average lease expiry (years)	Weighted average market cap rate (%)	Weighted average discount rate (%)	Weighted average rental reviews (%)	FY2022 Charter Hall investment yield ² (%)
Industrial & Logistics								
Charter Hall Prime Industrial Fund (CPIF)	1.4	120.3	4.8	10.7	3.8	5.4	3.2	4.1
Core Logistics Partnership Trust (CLP)	3.6	65.3	3.3	8.7	3.8	5.5	3.1	4.6
Charter Hall PGGM Industrial Partnership (CHPIP)	12.0	45.9	1.2	8.4	4.2	5.7	3.6	4.1
Long WALE Retail								
Long WALE Hardware Partnership (LWHP)	15.7	239.9	7.4	7.3	4.1	5.4	3.0	4.5
CH DJ Trust (CHDJT)	43.2	80.4	4.4	18.7	4.3	6.8	2.5	6.2
Other Long WALE Retail investments		37.8	3.3	n/a	n/a	n/a	n/a	n/a
Office								
Charter Hall Prime Office Fund (CPOF)	5.1	325.6	12.7	6.4	4.6	5.7	3.7	4.4
Charter Hall Office Trust (CHOT)	15.7	311.2	16.6	6.2	4.4	5.6	3.6	6.1
Charter Hall Direct PFA Fund (PFA)	12.2	205.5	10.9	6.7	4.9	5.9	3.4	5.9
Charter Hall Direct Office Fund (DOF)	8.7	183.7	8.9	7.0	4.7	5.8	3.8	5.6
Brisbane Square Wholesale Fund (BSWF)	16.8	126.7	9.0	7.4	4.9	6.0	3.9	8.4
Other Office investments		104.9	5.5	n/a	n/a	n/a	n/a	n/a
Social infrastructure								
Charter Hall Social Infrastructure REIT (ASX: CQE)	8.7	126.4	5.5	14.3	4.8	n/a	3.5	5.6
Charter Hall Exchange Wholesale Trust (CHEWT)	4.5	24.8	1.8	18.1	3.7	5.1	3.6	5.3
Shopping Centre Retail								
Charter Hall Retail REIT (ASX: CQR)	10.7	300.6	17.6	7.4	5.2	5.9	3.2	7.2
Other Shopping Centre Retail investments		0.4	–	n/a	n/a	n/a	n/a	n/a
Diversified								
Charter Hall Long WALE REIT (ASX: CLW)	10.7	470.7	22.8	12.0	4.3	5.6	4.6	5.8
Charter Hall DVP Fund (DVP)	10.0	49.8	2.2	5.9	4.6	6.0	3.2	4.7
Other investments		98.2	5.0	n/a	n/a	n/a	n/a	n/a
Property Investment Total		2,918.1	142.9	8.2	4.6	5.8	3.6	5.6

¹ Charter Hall Group property investment segment earnings per segment information in Note 1(b) of the financial report.

² Yield = Operating earnings divided by investment value at start of the year adjusted for investments/divestments during the year. Excludes MTM movements in NTA during the year.

Operating and financial review continued

Development investment

Development investment provides the Group with development profits and interest income from its development assets held directly on balance sheet and through co-investments in development ventures. During the year, development investment contributed \$35.5 million (30 June 2021: \$34.2 million) in segment earnings to the Group.

Funds Management

The funds management business provides investment management, asset management, property management, development management and leasing and transaction services to the Group's \$65.6 billion property funds management portfolio. On 22 December 2021, the Group announced a strategic partnership comprising a 50% investment in Paradise Investment Management, a fund manager with \$14.3 billion in funds under management invested in Australian and global listed equities.

The use of an integrated property services model, which earns fees from providing these services to the managed portfolio, enhances the Group's returns from capital invested. The Group also provides services to segregated mandates looking to capitalise on its property and funds management expertise. During the year, the funds management business contributed \$703.0 million (30 June 2021: \$319.5 million) in segment revenue to the Group.

Significant changes in the state of affairs

The Group has assessed the ongoing impact of the COVID-19 pandemic in preparing its financial statements, considering critical estimates and judgements applied in the measurement of the Group's assets and liabilities, and impacts on its business operations.

The Group's strategic focus on resilient property investments and funds management revenue streams has contributed to the COVID-19 pandemic continuing to have no identifiable material adverse impact on the Group's financial result.

Further disclosure is included in the following notes:

- Investment in associates Note 2(b);
- Revenue Note 4(a);
- Intangibles Note 11(b);
- Fair value measurement Note 22(d).

Principal activities

During the year, the principal activities of the Group consisted of:

- (a) Investment in property funds;
- (b) Development investment; and
- (c) Funds management.

Matters subsequent to the end of the period

In July 2022, Charter Hall Group and PGGM entered into a partnership (CHPIP2) to acquire all stapled securities in Inrgate Group (ASX:IAP) for \$1.90 per IAP stapled security totalling \$1,287.4m. Charter Hall Group will own 12% of CHPIP2.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

- (a) The Group's operations in future financial years; or
- (b) The results of those operations in future financial years; or
- (c) The Group's state of affairs in future financial years.

Likely developments and expected results of operations

Business strategy and prospects

The Group's strategy is to use its specialist property expertise to access, deploy and manage equity invested in office, industrial, retail, diversified and social infrastructure property portfolios. Charter Hall Group invests alongside equity partners to create value and provide superior returns for clients and the Group's securityholders. Growth is driven by a strong development capability that adds value for fund/partnership investors, whilst deployment through acquisitions complements the development capability to deploy the equity raised from investors in line with each property's strategy.

Charter Hall is well positioned to benefit from further capital inflows from investors seeking property investments driven by the positive spread between property returns and long-term interest rates. During the last 12 months, the Group has seen positive equity flows across all sectors from listed, wholesale and retail investors.

Various risks could impact the Group's financial performance, and the potential nature and impact of these risks can change over time. The Group actively manages risks in line with the Group's Corporate Governance Framework and the Risk Management Policy. In addition to the business risks referenced below, key strategic and operational risks include breaches of cyber security and privacy, work, health and safety, as well as environmental (including climate change), social, governance and regulatory risks. The Group continues to progress its alignment with the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations, and in the reporting period management has maintained a dedicated ESG Committee to drive platform wide alignment and implementation against the TCFD. These frameworks and policies can be found at www.charterhall.com.au.

Property investment portfolio

The property investment portfolio of the Group is primarily composed of co-investments in funds and partnerships where,

typically, between 5-20% of the equity in a fund is contributed by Charter Hall. The percentage stake may be higher than the long-term target at origination of the fund or partnership but will fall toward the long-term target over time with external equity flows.

The Group regularly reviews the performance of its property investment portfolio and may reduce its investment in funds to reinvest into new partnerships or funds to align with new partners. Sector diversification, industry diversification and earnings growth of each fund/partnership co-investment together with associated funds management earnings derived from each fund/partnership combine to provide a matrix to which the balance sheet capital is allocated. The material business risks faced by the property investment portfolio that may have an effect on financial performance of the Group include interest rate risk, refinancing risk, lease defaults or extended vacancies, portfolio concentration risks, development risk, joint venture risk and changes in economic or industry factors impacting tenants, property values or the ability to source suitable investment opportunities.

Development investment portfolio

The development investment portfolio comprises development assets held directly on balance sheet and co-investments in development associates and joint ventures. Primarily, development investments will provide stabilised investment opportunities made available to our funds.

The Group regularly reviews the performance of its development investments and relevant economic drivers to actively manage performance of each development.

The business risks faced by the development investment portfolio that may have an effect on financial performance of the Group include interest rate risk, refinancing risk, development risk, construction risk, leasing risk, joint venture risk and changes in economic or industry factors impacting customers, property values or the ability to source suitable investment opportunities.

Funds management platform

The Group manages primarily property investments on behalf of listed, wholesale and direct investors and has strict policies in place to ensure appropriate governance procedures are in place to meet fiduciary responsibilities and manage any conflicts of interest. Charter Hall provides a suite of services including investment management, asset management, property management, transaction services, development services, treasury, finance, legal and custodian services based on each fund's individual requirements.

The Group regularly reviews investor requirements and preferences for an investment partner in the Australian core real estate sectors and transaction structures that would meet their requirements.

The material business risks faced by the funds management platform that may have an effect on the financial performance of the Group include not delivering on investor expectations or organisational conduct leading to loss of FUM or management rights, loss of key personnel impacting service delivery, economic factors impacting fee streams or property valuations, development risk and access to capital.

Information on Directors

David Clarke

Chair/Independent Non-Executive Director

Experience and expertise

David joined the Board of the Charter Hall Group on 10 April 2014 and was appointed Chair of the Board on 12 November 2014.

David has over 35 years' experience in investment banking, funds management, property finance and retail banking. David was Chief Executive Officer of Investec Bank (Australia) Limited from 2009 to 2013.

Prior to joining Investec Bank, David was the CEO of Allco Finance Group and a Director of AMP Limited, following five years at Westpac Banking Corporation where he held a number of senior roles including Chief Executive of the Wealth Management Business, BT Financial Group. David was also previously an Executive Director at Lendlease Corporation Limited, Chief Executive of MLC Limited, and prior to this was Chief Executive Officer of Lloyds Merchant Bank in London.

David holds a Bachelor of Laws degree.

Other current listed company directorships

AUB Group Limited

Former listed company directorships in last three years

Nil

Special responsibilities as at 30 June 2022

Chair of the Nominations Committee

Member of the Audit, Risk and Compliance Committee

Member of the Investment Committee

Interests in securities

49,875 stapled securities in Charter Hall Group via an indirect interest

Jacqueline Chow

Independent Non-Executive Director

Experience and expertise

An experienced Non-Executive Director, Jacqueline is currently a Non-Executive Director of Coles Group, nib Holdings Limited and Boral Limited and previously held the role of Senior Advisor with McKinsey in their Transformation Group. Prior to commencing her Non-Executive career, Ms Chow held senior positions at Accenture, the Kellogg Company, Campbell's and most recently, as the Chief Operating Officer, Global Consumer and Food Service for Fonterra.

Jacqueline holds a Bachelor of Science (Hons) from the University of NSW and holds a Master of Business Administration (Dean's Distinguished Service Award) from the Kellogg School of Management at Northwestern University.

Jacqueline joined the Board on 17 February 2021.

Other current listed company directorships

Coles Group Limited

nib Holdings Limited

Boral Limited

Special responsibilities as at 30 June 2022

Member of the Audit, Risk and Compliance Committee

Interests in securities

5,500 stapled securities in Charter Hall Group

Philip Garling AM

Independent Non-Executive Director

Experience and expertise

Philip joined the Board of the Charter Hall Group on 25 February 2013.

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 Lendlease Corporation, including five years as CEO of Lendlease Capital Services.

Philip holds a Bachelor of Building from the University of NSW, and 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 retired from the Board on 11 November 2021.

Other current listed company directorships

Downer EDI Limited

Former listed company directorships in last three years

Nil

Special responsibilities as at 30 June 2022

N/A

Interests in securities

N/A

Information on Directors continued

David Harrison

Managing Director and Group CEO

Experience and expertise

David has over 30 years' property market experience across office, retail and industrial sectors in multiple geographies globally. As Charter Hall's Managing Director and Group CEO, David is responsible for all aspects of the Charter Hall business, with specific focus on strategy and continuing the momentum of building an Investment Manager recognised as a multi-core sector market leader. David is an executive member of various Fund Boards and Partnership Investment Committees, and Chair of the Executive Property Valuation Committee and Executive Leadership Committee.

David has overseen the growth of the Charter Hall Group from \$500 million to \$79.9 billion of assets under management in 15 years.

David holds a Bachelor of Business Degree (Land Economy) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and holds a Graduate Diploma in Applied Finance from the Securities Institute of Australia.

David is the National President of the Property Council of Australia and chair of the Nominations and Financial Management Committees.

David is also a member of the Property Council Australia Champions of Change Coalition.

Other current listed company directorships

Charter Hall Retail REIT
Charter Hall Long WALE REIT
Charter Hall Social Infrastructure REIT (Alternative Director)

Former listed company directorships in last three years

Nil

Special responsibilities as at 30 June 2022

Member of the Investment Committee

Interests in securities

581,264 stapled securities in Charter Hall Group via direct interests and 841,773 stapled securities in Charter Hall Group via indirect interests.

David also holds 711,742 performance rights, 905,776 performance rights (ROP), 91,845 service rights in the Charter Hall Performance Rights and Options Plan, as well as 176,181 STI Service Rights.

Karen Moses

Independent Non-Executive Director

Experience and expertise

Karen joined the Board of Charter Hall Group on 1 September 2016 and was appointed Chair of the Audit, Risk and Compliance Committee on 9 November 2016. Karen has over 30 years' corporate experience in the energy industry spanning oil, gas, electricity and coal commodities, gaining her experience both within Australia and overseas. During her executive career, Karen

was a senior executive at Origin Energy in roles including Executive Director, Finance and Strategy and Chief Operating Officer.

Karen holds a Bachelor of Economics and a Diploma of Education from the University of Sydney.

Other current listed company directorships

Orica Ltd
Boral Limited

Former listed company directorships in last three years

Nil

Special responsibilities as at 30 June 2022

Chair of the Audit, Risk and Compliance Committee
Member of the Nominations Committee
Member of the Remuneration and Human Resources Committee

Interests in securities

23,137 stapled securities in Charter Hall Group via indirect interests

Greg Paramor AO

Independent Non-Executive Director

Experience and expertise

Greg joined the Board of the Charter Hall Group on 30 November 2018.

Greg has been involved in the real estate and funds management industry for more than 40 years, and was the co-founder of Equity Real Estate Partners, Growth Equities Mutual, Paladin Australia and the James Fielding Group.

Greg was the CEO of Mirvac Group between 2004 and 2008. Greg is a past president of the Property Council of Australia and past president of Investment Funds Association, a Fellow of the Australian Property Institute and The Royal Institute of Chartered Surveyors. Greg is a board member of the Sydney Swans, the Sydney Swans Foundation and Eureka Group Holdings Limited.

Greg was awarded an Officer in the General Division (AO) of the Order of Australia in January 2015 for his distinguished service to the community through executive roles in a range of fields, including breast cancer research, the not-for-profit sector and real estate and property investment industries.

Other current listed company directorships

Eureka Group Holdings Limited

Former listed company directorships in last three years

Folkestone Limited

Special responsibilities as at 30 June 2022

Chair of the Investment Committee
Member of the Nominations Committee
Member of the Remuneration and Human Resources Committee

Interests in securities

14,300 stapled securities in Charter Hall Group via indirect interests

Information on Directors continued

David Ross

Independent Non-Executive Director

Experience and expertise

David joined the Board of the Charter Hall Group on 20 December 2016.

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 eight years as Chief Executive Officer of GPT and Global Chief Executive Officer, Real Estate Investments for Lendlease.

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, Lendlease and Babcock & Brown. Prior board appointments include a non-executive directorship with Sydney Swans Foundation Limited.

David holds a Bachelor of Commerce from the University of Western Australia and an Associate Diploma in Valuation from Curtin University in Western Australia.

Other current listed company directorships

Arena REIT

Former listed company directorships in last three years

Nil

Special responsibilities as at 30 June 2022

Chair of the Remuneration and Human Resources

Member of the Investment Committee

Member of the Audit, Risk and Compliance Committee

Interests in securities

10,000 stapled securities in Charter Hall Group via indirect interests

Company Secretary

Mark Bryant was appointed as Company Secretary on 24 August 2015.

Mark holds a Bachelor of Business (Accounting), a Bachelor of Laws (Hons), a Graduate Certificate in Legal Practice, and is admitted as a lawyer of the Supreme Court of NSW. Mark has over 15 years' experience as a lawyer, including advising on listed company governance, securities law, funds management, real estate and general corporate law.

Mark is the General Counsel and Company Secretary for the Charter Hall Group.

Meetings of Directors

The number of meetings of the Group's Board of Directors and of each Committee of the Board held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

	Full meetings of the Board of Directors		Audit, Risk and Compliance Committee		Investment Committee		Nomination Committee		Remuneration and HR Committee	
	A	B	A	B	A	B	A	B	A	B
D Clarke	8	8	5	5	1	1	-	-	*	*
J Chow	8	8	5	5	*	*	*	*	*	*
P Garling ¹	2	2	*	*	-	-	-	-	2	2
D Harrison	8	8	*	*	1	1	*	*	*	*
K Moses	8	8	5	5	*	*	-	-	6	6
G Paramor	7	8	*	*	1	1	-	-	5	6
D Ross	8	8	5	5	1	1	*	*	6	6

* Not a member of the stated Committee.

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office or was a member of the stated Committee during the year.

¹ Phil Garling AM retired 11 November 2021.

Remuneration Report

Dear Securityholders,

On behalf of the Board, we are pleased to present this Remuneration Report for Charter Hall. The report focuses on the Group's executive remuneration strategy and outcomes, aligned to Charter Hall's operating performance, as well as our people and culture highlights for the financial year ended 30 June 2022 (FY2022).

Throughout the year, global economies and businesses continued to be challenged and people have experienced significant instability. Charter Hall maintained a focus on serving our investor and tenant customers, while supporting our people on their wellbeing and providing a dynamic workplace that fosters connection and performance. The macro-environment led to competition for key talent increasing during the year. Charter Hall's ability to attract and retain key talent is critical to future-proofing our long-term success and consequently, we have taken steps to respond to changing expectations and remain competitive in the market.

Further detail on our operating conditions and business achievements are provided in the Chair and Managing Director & Group CEO (Managing Director) messages in the FY2022 Annual Report.

In FY2022 the Group outperformed its Group Operating Earnings Per Security (OEPS) target and shared this success with all employees through the Short Term Incentive (STI). Assessment of individual performance scorecards has resulted in 146% of the total target STI amount being awarded to eligible employees across the Group, including the three Reported Executives who have been awarded the maximum STI payout at 150% of the target.

In addition, the first tranche of the FY2020 Long Term Incentive (LTI) reached the end of its three-year performance period on 30 June 2022 and will fully vest on 31 August 2022 (the second tranche of the FY2020 LTI is subject to a four-year performance period and will be assessed for vesting on 30 June 2023) due to:

- the aggregate OEPS over the performance period equivalent to a 37.3% pa compound average growth rate (CAGR) exceeding the upper end of the required aggregate OEPS performance measure; and;
- the Relative Total Shareholder Return (TSR) measure achieving the fifth rank of the 17 REITs in the comparator group from the S&P/ASX200 A-REIT Accumulation Index with a TSR of 12.45% (an equivalent CAGR of 4.0%) over the three year performance period.

Our people continued to show extraordinary resilience through a challenging year, and we maintained our focus on improving wellbeing and building a culture of connection and belonging. This is reflected in our people and culture highlights for the year:

- 88% Engagement result with a 96% participation rate
- 93% of our people say 'they would recommend Charter Hall as a good place to work'
- Ranked 8th in the inaugural Climate Leaders Asia-Pacific 2022 List of 200 companies, for our integration of sustainability in our decision-making and strategy, as we find new ways to lower our emissions
- Awarded 'Firm of the Year: Australia' by Private Equity Real Estate (PERE) 2021 Global Awards
- Delivered our Reconciliation Action Plan (RAP) to take meaningful action and partner with First Nation business and communities
- Awarded Best Health and Wellbeing Program at the Australian HR Awards 2021 (September 2021)
- Recognised as a Bronze Employer for LGBTQ+ inclusion in the Australian Workplace Equality Index (AWEI) Index 2022

We also recorded high customer satisfaction across all property sectors. Net Promoter Scores and satisfaction results were maintained at 5-year highs in Retail and 3-year highs in Industrial & Logistics.

Changes to FY2022 Remuneration

As per the FY2021 Remuneration Report, changes were introduced in FY2022 both in terms of quantum and mix of the fixed and variable remuneration components for the Managing Director and Other Reported Executives. These changes were introduced following a comprehensive review undertaken by Ferguson Partners of the Group's remuneration framework and quantum for each role, taking into consideration the significant growth experienced where the Group's Funds Under Management (FUM) increased by 72% from \$30.4 billion (as at 30 June 2019) to \$52.3 billion (as at 30 June 2021) and its market capitalisation increased by 43% from \$5.04 billion (as at 30 June 2019) to \$7.23 billion (as at 30 June 2021).

Remuneration increases considered the nature of Charter Hall's business model and extensive funds management growth trajectory. Charter Hall has the largest and most diversified Australian property funds management business of all ASX listed REITs in Australia. The Board believes that oversight and management of a diversified property funds management business is more complex and intensive than for REITs which are primarily owners and managers of property assets on their balance sheet. Part of Charter Hall's success to date has been the focus on developing the strategy to be a leading diversified property funds manager. This strategy has delivered investment opportunities and superior performance for many global and Australian property investors and in turn strong

operating and TSR performance for Charter Hall securityholders. Accordingly, it is critical that remuneration is competitive to retain, attract and motivate our employees to continue to deliver for our investors and security holders.

While the increases in remuneration for the Managing Director and Other Reported Executives were material, they reflect the growth and current position of the Group and were necessary to bring remuneration into line with market. The increase for the Managing Director was all in 'at risk' components and for the Other Reported Executives on average 88% was in 'at risk' components. Further details of these changes and the rationale for the increases are provided in section 6.2 of this Remuneration Report.

As was noted in the FY2021 Remuneration Report, the Board also considered the leadership, expertise, and experience critical to the ongoing outperformance of Charter Hall as the Group embarks on the next period of growth. While the Board and the Committee believed that the current executive remuneration framework was sound based upon market comparators, continuity of leadership and retaining a high performing team as well as allowing for orderly succession planning were considered as critical in what was and still is a highly competitive landscape for executive leadership and talent.

As a result, a Retention and Outperformance Plan (ROP) was introduced and the grant to the Managing Director was approved by securityholders at the 2021 AGM. The ROP was designed to complement the current annual remuneration framework by providing an additional retention mechanism with reward for outperformance. This plan intends to enable meaningful participation in outperformance of returns to security holders, through Performance Rights earned over a 5-year period. Rewards will only be earned if the Group TSR over the five-year performance period (from 1 July 2021 to 30 June 2026) strongly outperforms on a Relative TSR basis and achieves a minimum Absolute TSR. Additionally, these Performance Rights vest for each participant only if they meet individual non-financial performance expectations and behaviour consistent with the Group's purpose and values, to the satisfaction of the Board. The FY2022 ROP is a one-off award in addition to the regular annual total target remuneration for FY2022 only.

In designing this ROP the Board considered its desire for the Managing Director to continue his successful long-term leadership of Charter Hall and to retain and incentivise the high performing team of other key senior management roles critical to continuing to:

- partner with our tenant customers and communities to achieve their business objectives;
- provide investment opportunities and competitive investment returns to our investors; and
- deliver strong and competitive TSR outperformance for our Group securityholders.

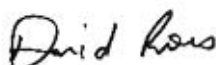
While the grant of ROP Performance Rights to the Managing Director was approved by securityholders at the 2021 AGM, the Board acknowledges that some securityholders had concerns including the one-off nature of the ROP and the face value of the grant to the Managing Director. Further details, including the rationale for the Retention and Outperformance Plan are provided in section 6.9 of the Remuneration Report.

As also advised in the FY2021 Remuneration Report, Non-Executive Directors (NED) fees were last independently reviewed relative to market four years earlier. Due to the growth of Charter Hall since then, EY were engaged in FY2021 to provide market benchmarking data in relation to NED Board and Committee fees to assist with a review which took effect in FY2022. An increase in the maximum aggregate NED fee pool to \$2.0 million was also approved by securityholders at the 2021 AGM. A summary of the changes is included in sections 2 and 8 of the Remuneration Report.

We invite you to read Charter Hall's Remuneration Report on the following pages which clearly articulates the alignment between the Group's strategy, performance, and executive remuneration outcomes. The Board will continue to monitor Charter Hall's performance and remuneration policies and framework to ensure they remain fit for purpose, drive the right behaviours, deliver on the intended strategy and meet securityholder expectations. We welcome your feedback on Charter Hall's remuneration framework and practices and look forward to your continued support at our 2022 Annual General Meeting.



David Clarke
Chair - Board



David Ross
Chair – Remuneration and Human Resources Committee

1. Key Management Personnel

This Report outlines the remuneration policies and practices that apply to Charter Hall's Key Management Personnel (KMP) for the year ended 30 June 2022. The KMP include the Non-Executive Directors, Managing Director and Other Reported Executives.

Name	Role	Term as KMP
Non-Executive Directors		
David Clarke	Chair	Full Year
Philip Garling AM	Director	Part Year - retired 11 November 2021
Karen Moses	Director	Full Year
David Ross	Director	Full Year
Greg Paramor AO	Director	Full Year
Jacqueline Chow	Director	Full Year
Managing Director		
David Harrison	Managing Director and Group CEO	Full Year
Other Reported Executives		
Sean McMahon	Chief Investment Officer	Full Year
Russell Proutt	Chief Financial Officer	Full Year

The Report has been prepared and audited in accordance with the requirements of the *Corporations Act 2001* (Cth) (**Act**).

2. FY2022 Remuneration outcome summary and framework changes at a glance

Charter Hall Limited is pleased to present its Remuneration Report for the year ended 30 June 2022 (FY2022). The table below outlines the FY2022 outcomes and key remuneration framework changes also foreshadowed in FY2021.

Component	Section	Outcomes/Remuneration Framework Changes
Total Target Remuneration (TTR)	6.2	<p>The Managing Director received a 28.6% increase to his TTR in FY2022, all of which was in 'at risk' components.</p> <p>The Other Reported Executives received on average a 21.8% increase to their TTR in FY2022 and on average 88% of that increase has been in the 'at risk' components.</p> <p>TTR increases and remuneration mix for each of the Reported Executives are disclosed further in section 6.2 along with the rationale for these increases.</p>
Fixed Annual Remuneration (FAR)	6.3	<p>There was no increase to the Managing Director's FAR in FY2022.</p> <p>Increases to the Chief Investment Officer's (CIO) and Chief Financial Officer's (CFO) FAR in FY2022 coincided with a restructuring of their Total Target Remuneration (TTR), with this now consisting of one-third FAR, one-third STI and one-third LTI.</p>
Short Term Incentive (STI)	6.4	<p>Group OEPS was 115.6 cents, which was approximately 51% above target FY2022 OEPS. Assessment of individual performance scorecards has resulted in 146% of the aggregate target STI at Group level to be awarded to eligible employees across the Group. For all Group Executives (including the Reported Executives), STI is delivered in the form of cash (67%) and deferred service rights (33%).</p>
Long Term Incentive (LTI)	6.8	<p>The FY2019 grant vested in full on 31 August 2021 as a result of performance exceeding absolute and Relative TSR hurdles over the three years to 30 June 2021.</p> <p>The first tranche of the FY2020 LTI grant reached the end of its three-year performance period on 30 June 2022 and as a result of performance exceeding Relative TSR and aggregate OEPS hurdles over the three years to 30 June 2022 will vest at 100% on 31 August 2022.</p> <p>With the introduction of the four-year vesting period for the LTI award, transition arrangements were implemented for the FY2020 LTI, where performance rights are due to vest in two equal tranches at the end of year 3 (50%) and year 4 (50%). The second tranche of the FY2020 LTI grant will be due for testing on 30 June 2023.</p>
Retention and Outperformance Plan (ROP)	6.9	<p>The ROP was introduced as a one-off award and as an additional retention mechanism to reward participants if Group TSR over the five-year performance period from 1 July 2021 to 30 June 2026 strongly outperforms on a Relative TSR basis and achieves a minimum Absolute TSR. This award vests, for each participant, only if they meet individual non-financial performance expectations and behaviours consistent with the Group's purpose and values, to the satisfaction of the Board.</p>
NED Fees and Maximum Aggregate NED Fee Pool	8	<p>NED Board base and Committee fees were increased in FY2022. The Maximum aggregate NED fee pool was increased to \$2.0 million following approval by the securityholders at the 2021 AGM. Details and the rationale for these increases are provided in section 8 of this Remuneration Report.</p>
Deferred STI Allocation Methodology	6.4	<p>Following a review undertaken by the Board, effective FY2022, the methodology for determining the number of mandatorily deferred STI service rights and rights for any voluntarily deferred component of cash STI, allocated under the Charter Hall Performance and Options Plan (PROP) will be on a face value basis, calculated on the Volume Weighted Average Price (VWAP) for the month of June prior to the grant date. A cash payment equivalent to cash distributions declared to the securityholders during the performance period, will be paid to the participants. This will only be payable on the rights that vest at the end of the relevant vesting period.</p> <p>This is regarded as providing alignment with securityholders.</p>

3. FY2022 Actual remuneration received

The following table presents the actual remuneration that was received by Reported Executives during the financial year ended 30 June 2022. This voluntary disclosure is provided to increase transparency and includes:

- fixed pay and other benefits for FY2022;
- 2021 cash STI paid during FY2022; and
- the value of any LTI and STI award that vested during FY2022.

The actual remuneration presented in the table below is distinct from the disclosed remuneration (as required by section 308(C) of the *Corporations Act 2001* (Cth) (**Act**)) in section 7.1 of this Report, which is calculated in accordance with statutory obligations and accounting standards. The numbers in section 7.1 include accounting values for current and prior years' LTI grants which have not been (or may not be) received, as they are dependent on performance hurdles and service conditions being met.

Name	Salary and other benefits ¹ \$	Short Term Incentive ² \$	Value of securities vested ³ \$	Total \$	% of remuneration consisting of vested rights %
Managing Director					
D Harrison	1,500,691	1,500,000	6,814,669	9,815,360	69.4
Other Reported Executives					
S McMahon	927,191	539,305	2,372,651	3,839,147	61.8
R Proutt	865,691	-	2,420,179	3,285,870	73.7
Totals	3,293,573	2,039,305	11,607,499	16,940,377	68.5

1 Other benefits include superannuation and non-monetary benefits.

2 Values relate to STI paid in FY2022 in cash for FY2021 performance. S McMahon elected to voluntarily defer 25% of the cash component of his FY2021 STI into rights and R Proutt elected to voluntarily defer 100% of the cash component of his FY2021 STI into rights.

3 Values calculated using the two-day VWAP of \$17.99 up until the vesting date applied to the number of rights that vested for the FY19 LTI performance rights, the FY19 STI T2 deferred service rights and the FY20 STI T1 deferred service rights. The value at the vesting date includes the increase in the price of Charter Hall securities since the grant of the rights which were based upon independent valuations at the time.

4. FY2023 Remuneration framework changes at a glance

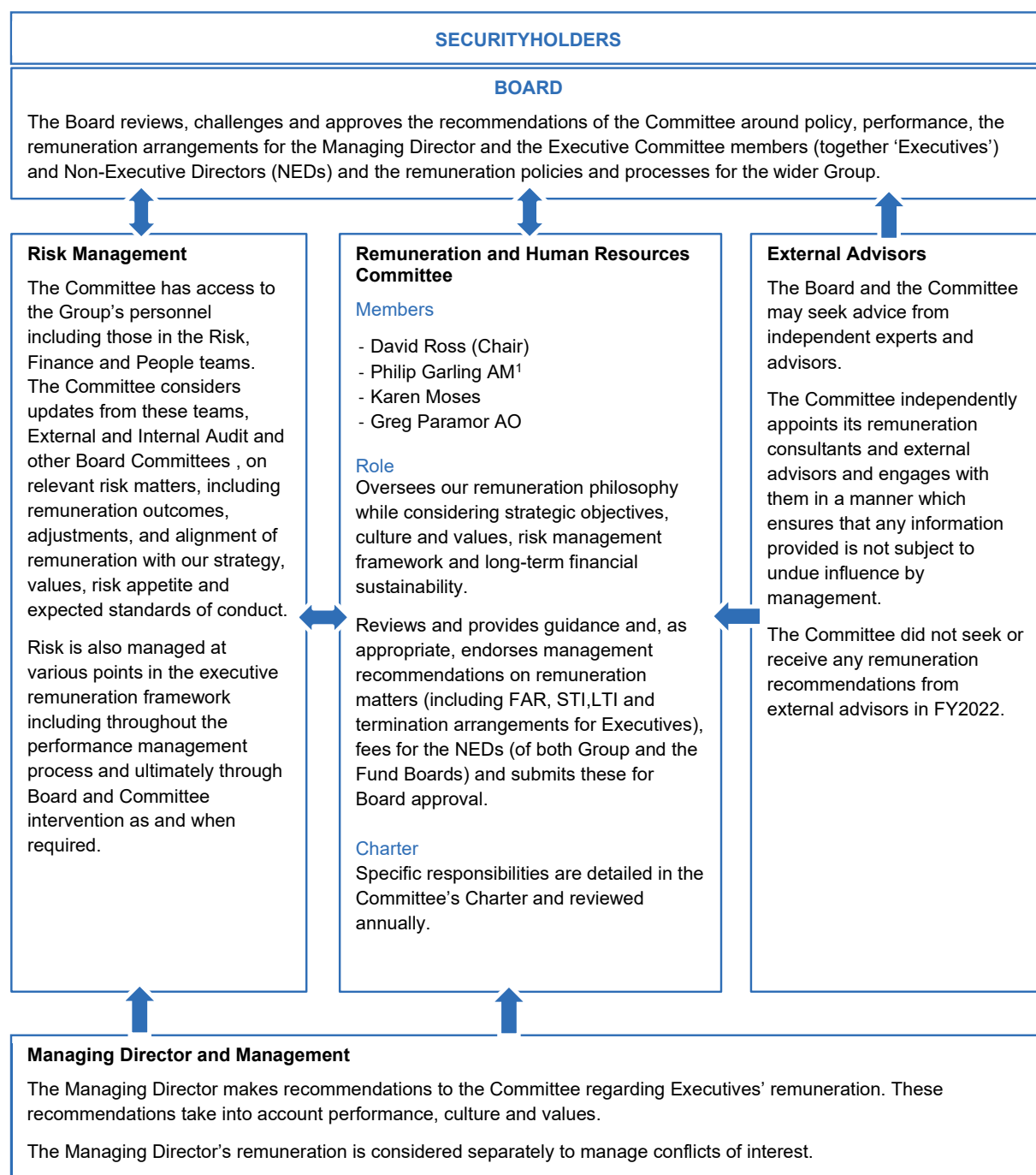
Following table outlined the remuneration framework changes to be introduced effective FY2023.

Component	Section	Changes
Rights Allocation Methodology	6.5	Following a review undertaken by the Board in FY2022, effective FY2023, the methodology for determining the number of LTI performance rights allocated under PROP will be on a face value basis, calculated on the VWAP for the month of June prior to the grant date. A cash payment equivalent to cash distributions declared to the securityholders during the performance period, will be paid to the participants. This will only be payable on the rights that vest at the end of the relevant performance period. This is regarded as providing alignment with securityholders.
Minimum Charter Hall Securityholding Requirements	6.1 and 8	Effective FY2023, the Managing Director is required to hold a minimum of 150% of FAR (up from 100%) in CHC securities, within five years of appointment in the role or from the date of adoption of this policy, whichever is later and maintain it on an on-going basis. Other Executives are required to hold a minimum of 100% of FAR (no change) in CHC securities or CH fund securities, provided a majority of the minimum securityholding requirement is held in CHC securities, within five years of being appointed to an Executive role or from the date of this policy, whichever is the later and maintain it on an on-going basis. Effective FY2023, the NEDs are required to hold a minimum of 100% of annual base fees, excluding Committee membership fees, in CHC securities (up from the current \$90,000), within three years of appointment as a NED or from the date of this policy, whichever is the later and maintain it on an on-going basis. The value of securities for determining compliance is the higher of acquisition cost or market value.

5. Remuneration governance

Charter Hall's Board and the Remuneration and Human Resources Committee (the Committee) are responsible for overseeing remuneration policy for the Group.

The following diagram illustrates Charter Hall's remuneration governance framework.



¹ Phil Garling AM retired from the Board and the Remuneration and Human Resources Committee effective 11 November 2021.

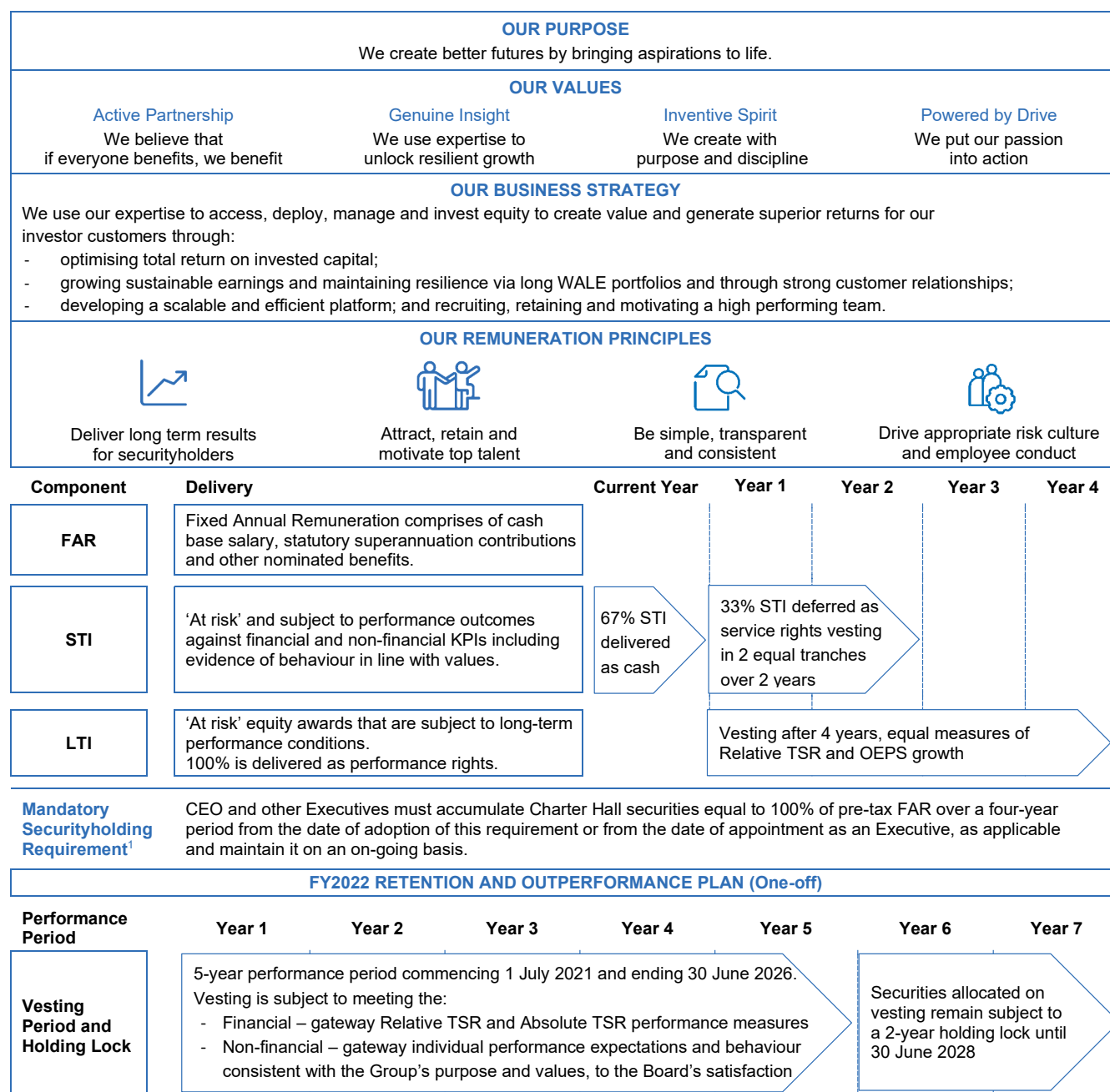
Specific responsibilities of the Board and the Committee are detailed in their respective Charters which are available on the Group website at www.charterhall.com.au.

6. Executive remuneration framework

Charter Hall's remuneration framework is designed to attract and retain talented people by rewarding them for achieving performance outcomes that are aligned with our purpose, culture and values, business strategy, risk appetite and the long-term interests of our investors, customers and securityholders.

6.1 Executive remuneration strategy

The below diagram illustrates the remuneration framework that applied to the Managing Director and Other Reported Executives in FY2022. It also outlines the link between Charter Hall's business and remuneration framework.



¹ These requirements have changed effective FY2023, details are outlined in the FY2023 Remuneration Framework changes at a glance section above.

Remuneration Report

6.2 Remuneration mix

Executive remuneration is structured as a mixture of fixed and variable 'at-risk' STI and LTI components. While fixed annual remuneration is designed to provide a base level of remuneration, the 'at-risk' STI and LTI components reward executives when pre-agreed performance measures are met or exceeded.

FY2022 Total Target Remuneration (TTR)

The FY2022 remuneration increases for the Managing Director and Other Reported Executives, were disclosed in the 2021 Remuneration Report.

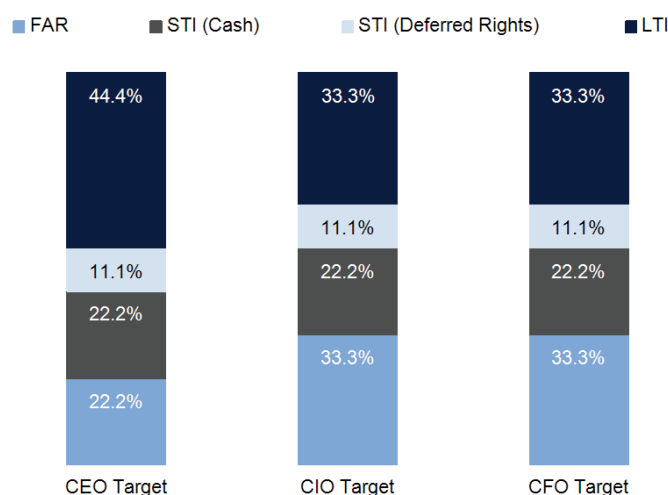
These changes were introduced following a comprehensive review undertaken by Ferguson Partners with regard to the remuneration framework and quantum for each Executive role. This benchmarking analysis highlighted that whilst the FUM and operational intensity of these roles exceeds that of many peers, it was not reflected in their current remuneration. The FY2022 increases take into account the significant growth experienced by the Group where the Group's Funds Under Management (FUM) increased by 72% from \$30.4 billion (as at 30 June 2019) to \$52.3 billion (as at 30 June 2021) and Charter Hall's market capitalisation increased by 43% from \$5.04 billion (as at 30 June 2019) to \$7.23 billion (as at 30 June 2021), resulting in a significant increase in the scale and responsibilities of the Executive roles.

The remuneration increases for the Managing Director and other Reported Executives effective 1 July 2021 considered the position of the Charter Hall business at the time relative to its comparator group peers. At the time Charter Hall managed the largest portfolio by value of property in Australia, with 1,388 properties, generating more than \$2.4 billion annually in net rental income for its investors from more than 3,600 tenants and had an \$8.8 billion development pipeline. Charter Hall managed \$40 billion of equity invested in unlisted wholesale funds and partnerships, listed REITs and un-listed retail property funds. The scale of Institutional investors partnering with Charter Hall in un-listed property funds and partnerships invested in Australia is market leading. These investors expect competitive investment returns and quality service from their managers. The increased remuneration of the Managing Director and other Reported Executives recognises the skill and experience required to manage and retain an equity platform of this scale. It is noted that the size and scale of the business has grown further during FY2022. The Managing Director's TTR is targeted at the upper quartile of comparable companies and roles in the ASX listed REIT sector consistent with Charter Hall's competitive market position.

Name	Fixed Annual Remuneration (FAR) \$	Short Term Incentive (STI) \$	Long Term Incentive (LTI) \$	Total Target Remuneration (TTR) \$	% of TTR in 'at risk' components
Managing Director					
David Harrison					
2022	1,500,000	2,250,000	3,000,000	6,750,000	77.8%
2021	1,500,000	1,500,000	2,250,000	5,250,000	71.4%
Chief Investment Officer					
Sean McMahon					
2022	925,000	925,000	925,000	2,775,000	66.7%
2021	850,000	719,070	671,132	2,240,202	62.1%
Chief Financial Officer					
Russell Proutt					
2022	865,000	865,000	865,000	2,595,000	66.7%
2021	820,000	641,000	705,100	2,166,100	62.1%

Remuneration Report

The figures below for all Reported Executives show the percentage mix of fixed versus 'at-risk' remuneration components on target that apply for FY2022. All Reported Executives have the potential to earn up to 150% of target STI.



6.3 Fixed Annual Remuneration

Composition	FAR comprises cash base salary, statutory superannuation contributions and other nominated benefits.
Benchmarking and Review	<p>The positioning of FAR for Executives (including Reported Executives) takes into account Charter Hall's FUM relative to the entities in the S&P/ASX 200 Australian Real Estate and Investment Trust (A-REIT) industry group. Whilst market capitalisation relative to these companies is also considered, an individual's broad range of skills and experience are recognised given the complexity of Charter Hall's business.</p> <p>FAR is reviewed regularly and benchmarked against equivalent roles in the market recognising:</p> <ul style="list-style-type: none"> - individual performance; and - the market environment for each individual's skills and capabilities.
Comparator Group	The entities in the S&P/ASX 200 Australian Real Estate and Investment Trust (A-REIT) industry group are included in the comparator Group used to determine the Reported Executives' remuneration.
Charter Hall Managing Director outcome	The Managing Director's FAR remained unchanged at \$1,500,000 in FY2022.
Other Reported Executives	FAR for the CFO and the CIO increased to \$865,000 (up 5%) and \$925,000 (up 9%) respectively in FY2022 due to a comprehensive remuneration benchmarking exercise conducted at the start of the year. This took into account Charter Hall's growth over the last two years both in terms of FUM and market capitalisation and its subsequent impact on the size of these roles

Remuneration Report

6.4 Short Term Incentive

FY2022 STI award – key features

Features	Approach			
Purpose	STI is an 'at-risk' incentive awarded annually, subject to performance against agreed financial and non-financial Key Performance Indicators (KPIs) including evidence of behaviour in line with values.			
Participants	Executives			
Gateway for STI	<p>Group: A financial gateway of 95% of target OEPS must be met before any STI entitlement is available, with the Board retaining overall discretion on performance achievement.</p> <p>Individual: To help us maintain an effective risk management culture, all Executives must complete risk and compliance training during the performance year (including Code of Conduct training) to ensure they fully understand their role and comply with relevant legislative requirements.</p> <p>Both gateways need to be met for any STI to be awarded.</p>			
Determining and assessing achievement of STI Target	The percentage achievement of STI Target is determined by the Board, upon advice from the Committee, based on actual OEPS achieved relative to an OEPS target. The Board retains the discretion to increase or decrease the percentage of overall STI Target achieved, based on its assessment of the overall performance throughout the year.			
Individual Opportunity	The maximum STI potential for all employees is 150% of their STI target, enabling recognition for outperformance.			
Performance Targets	Individual STI outcomes are determined on the basis of Group and individual performance through a Balanced Scorecard. The Scorecard is split into three elements: Financial; Customer; and Culture/Leadership/Collaboration with 50% financial and 50% non-financial. For each of these elements there are KPIs aligned to our core strategic objectives of Growth and Resilience.			
	The Board believes that having a mix of financial and non-financial KPIs provides measurable performance criteria strongly linked to year-on-year securityholder returns and encourages the achievement of individual goals consistent with the Group's overall objectives. The scorecard elements of financial, customer and culture, leadership and collaboration have been chosen as KPI categories because they represent important elements of Charter Hall's core strategic objectives. Each of these categories has measures of 'Growth' and 'Resilience'.			
	Role	Financial/Securityholder	Customer	Culture, Leadership and Collaboration
	Managing Director	50%	30%	20%
	CFO	50%	30%	20%
CIO	50%	25%	25%	
Determining and Assessing Performance	In consultation with the Committee, the Board assesses the Group's financial performance and the performance of all Reported Executives against agreed KPIs.			
	The Board applies the following general principles when determining and measuring performance goals and any STI incentive for the Executives:			
	<ul style="list-style-type: none">- STI outcomes should always align with the market reported results, with any adjustments being consistent with business performance and behaviour aligned to Group values;- 'on target' performance aligns with the Board approved target for the financial year; and- payout above Gateway for STI is up to a maximum (150% of STI target).			
	These principles for assessing performance were chosen because they are, as far as practicable, objective and fair and the most appropriate way to assess the Executives' individual contribution and determine remuneration outcomes in alignment with the financial performance of the Group.			
Board Discretion	Once the Balanced Scorecard has been assessed and performance against KPIs has been determined, the outcome is subject to Board discretion. The Board may modify the performance outcomes upwards or downwards taking into account risk related matters, behaviour in line with values and expected standards of conduct.			
Delivery	For all Executives, STI is delivered in the form of cash (67%) and deferred service rights (33%).			
	Service rights are deferred over two years, with 50% vesting at the end of year one and 50% at the end of year two.			

Remuneration Report

Features	Approach
Voluntary Deferral of Cash Component of STI	Under the FY2022 STI Plan Executives and certain senior managers had an option to elect to receive up to 100% of their cash STI payment in the form of rights to acquire CHC securities. These rights will vest based on the employee's elected deferral period of 2, 3, 4, 5, 6 or 7 years from the date of grant. These rights will be subject to Charter Hall's Performance Rights and Options Plan (PROP) however, will not be subject to performance conditions or forfeiture on termination of employment.
Rights Allocation Methodology	The methodology to determine the number of mandatorily deferred STI service rights and rights for voluntarily deferred component of cash STI, allocated under the PROP plan will be on a face value basis, calculated on the VWAP for the month of June 2022. A cash payment equivalent to cash distributions declared to the securityholders during the performance period, will be paid to the participants on vesting. This will only be payable on the rights that vest at the end of the relevant vesting period.
Cessation of Employment	In the event of resignation (other than genuine retirement) or termination for cause or for poor performance (as determined by the Board), all unvested mandatorily deferred STI in service rights will lapse, unless the Board determines otherwise. In any other circumstances unless the Board determines otherwise, the rights will continue to remain on foot and, subject to the original terms of the offer, as though the Executive had not ceased employment.
Preventing Inappropriate Benefits	For the mandatorily deferred STI component, the Board has discretion to reduce, including to nil, unvested rights in certain circumstances to ensure Executives do not obtain an inappropriate benefit. The circumstances in which the Board may exercise this discretion include, for example, where the Board determines that an Executive has acted fraudulently, dishonestly, or has engaged in gross misconduct or has acted in a manner which brings the Group into disrepute.

Remuneration Report

KPI Performance and STI Outcome for Financial Year Ending 30 June 2022 – Managing Director

Group Gateway	A financial gateway of 95% of budget OEPS (76.6 cps) which supported the initial FY22 guidance to the market, must be met before any STI entitlement is available, with the Board retaining overall discretion on performance achievement.	Fully met and exceeded
Individual Gateway	Completion of risk and compliance training during the performance year (including Code of Conduct training) to ensure they fully understand their role and comply with relevant legislative requirements.	Fully met

Financial & Risk (50%)

Operating Earnings is a key measure of the financial performance of the Group in a financial year.

Equity allotted is a measure of the funds' inflow raised from investors in funds and partnerships and drives capacity to grow portfolios.

Fund and partnership property portfolio performance during the financial year compared to relevant benchmark measures, where fund investors are satisfied that their property portfolio investment performance meets or exceeds expectations, measured either against the funds return objective or relevant benchmarks.

Treasury Risk Management – diversification and growth of the managed fund debt platform aligns with equity flows and provides capacity for growth.

G/R	KPI (Financial & Risk)	Weighting	Scorecard result	Outcome
Growth	Group OEPS Group OEPS (Target: 76.6 cps) Growth from FY21 Group OEPS after tax excluding Performance Fees and STI	37.5%	Outstanding	Group OEPS of 115.6 cps which was 51% above target OEPS.
	Targeted Gross Equity Allotment			Group OEPS after tax excluding Performance Fees and STI was 13.3% above FY21. Gross equity flows of \$4.7 bn exceed Target.
Resilience	Performance of Funds & Partnerships relative to agreed benchmarks Treasury Risk Management Targeted growth, maturity extensions and diversification of lenders to the Group's debt platform	12.5%	Outstanding	90% of funds and partnerships that CHC co-invests in, weighted by value, met/exceeded their agreed benchmarks. 25% growth in debt platform, with further diversification of debt providers. The weighted average debt maturity increased to 4.6 years. Further, \$15.6 bn of total debt transactions were completed during the year. Of significance, \$2.5 bn of total debt transactions were sustainability linked loans.

Remuneration Report

Strategy & Customer (30%)

Effective delivery of strategic initiatives drives longer term securityholder returns.

Progressing decarbonisation, enhancing our responsible investment processes and progressing our reconciliation with First Nations people aligns with Charter Hall's long term sustainability goals, with ESG being an extricable part of 'how' we do business.

Satisfied customers who receive above expectation service from the Group are most likely to become repeat business customers.

G/R	KPI (Financial & Risk)	Weighting	Scorecard result	Outcome
Growth	Key Group Growth Strategy Initiatives Progress Progress the growth strategy and key initiatives.	10%	Exceeds Expectations	Growth and diversification of Wholesale and Direct investor customers, evidenced by inflows, additional Wholesale investors and growth in the active number of financial advisers supporting the Direct business. The expansion of our Corporate Sale and Leaseback Programme with existing customers and partners.
Resilience	Key ESG Initiatives Progress Progress decarbonisation of the group Target: 50% intensity reduction of GHG (based off a 2017 baseline) and installation of an additional 5MW of onsite solar PV by the end of FY22. Lead reconciliation with First Nations Target: launch a Stage One Reflect RAP Excellence in Investor & Tenant Customer Relationships Increase investor and tenant customer confidence and advocacy Target: maintain strong survey results from investor and tenant customer surveys. Scale tenant customer relationship model Target: Key customers have key account managers and active account plans in place.	20%	Exceeds/ Outstanding	<p>The Group has achieved a 54% reduction of GHG emissions against the FY17 baseline in absolute terms. Charter Hall has executed a 7 year PPA with Engie, supporting 100% renewables by 2025 and linked to new solar and wind projects in Australia. Charter Hall installed an additional 6 MW of solar PV taking the Group to 47.2MW. In addition, 6.5 MW of battery storage has been installed on Charter Hall's Retail assets. Also, 7 active tenant solar partnerships have been agreed in FY22 to install a forecast 10 MW of solar PV in FY23 to mitigate scope-3 emissions.</p> <p>A stage one Reflect RAP has been launched, with cultural awareness training rolled out across the Group commencing with the CHC Board, EXCO and Divisional Leadership Teams; Traditional owners have been identified across all assets to inform symbols and protocols to acknowledge First Nations histories and engage in meaningful relationships.</p> <p>CHC has commissioned listed and wholesale investor surveys for 10 years. These surveys continue to evidence strong investor engagement and are considered to be top decile results. Tenant customer surveys across Retail, Office and Industrial maintained strong results with top decile net promoter scores.</p> <p>The Top 20 key tenant customers all have Account Management Teams servicing their needs.</p>

Remuneration Report

Leadership, Culture & Collaboration (20%)

Developing key people in business critical roles improves individual and team performance and helps ensure business continuity and supports succession planning for long term success.

Diversity and inclusion at all levels in the organisation, with emphasis on greater female representation in Senior Leadership is expected to provide optimal business performance.

High levels of employee engagement and wellbeing drives higher retention and productivity, resulting in better business performance.

G/R	KPI (Leadership, Culture & Collaboration)	Weighting	Scorecard result	Outcome
Growth	Leadership Capability for Growth and Scale Sponsorship, implementation, and engagement in tailored Executive Development Programme and agreed succession plans Promote the profile of Charter Hall in the marketplace.	15%	Meets/ Exceeds Expectations	Senior Executive Development Programme, with personal development plans in place for all Executives to support their growth thereby strengthening leadership and succession. Continued profile as President of the Property Council of Australia as well as involvement of other executives in various market forums elevated the bench strength and profile of the Group.
Resilience	Deep, Diverse and Engaged Talent Pipeline Sustain improvements in diversity, engagement, and wellbeing Improve gender diversity in Senior Management. Employee Engagement and Wellbeing Survey results above 76%.	5%	Meets/ Exceeds Expectations	Female representation at Senior Management increased in FY22 to 31.4% as at 30 June 2022, and is on track to meet target of >=35% by the end of 2022 CY. Employee Engagement was 88% and Employee Wellbeing was 83%.

Final Scorecard Outcome

After consideration of the performance of the Group and the Managing Director's KPI performance outcomes, the Board awarded a maximum STI equivalent to 150% of STI target.

KPI performance and STI outcome for financial year ending 30 June 2022 – Other Reported Executives

KPIs for other Reported Executives are aligned to that of the Managing Director. These are focused on growth and resilience measures in individual areas of accountability.

Scorecard	KPI	Sean McMahon Performance Rating	Russell Proutt Performance Rating
Financial	Including Group and Divisional financials and investment earnings; growth in funds under management; and divisional specific financial initiatives.	Outstanding	Outstanding
Customer and Strategy	Including customer experience, service and satisfaction measures for funds and tenants.	Outstanding	Exceeds/Outstanding
Culture, Leadership and Collaboration	Including leadership contribution, succession, talent, diversity and engagement.	Exceeds/Outstanding	Exceeds/Outstanding

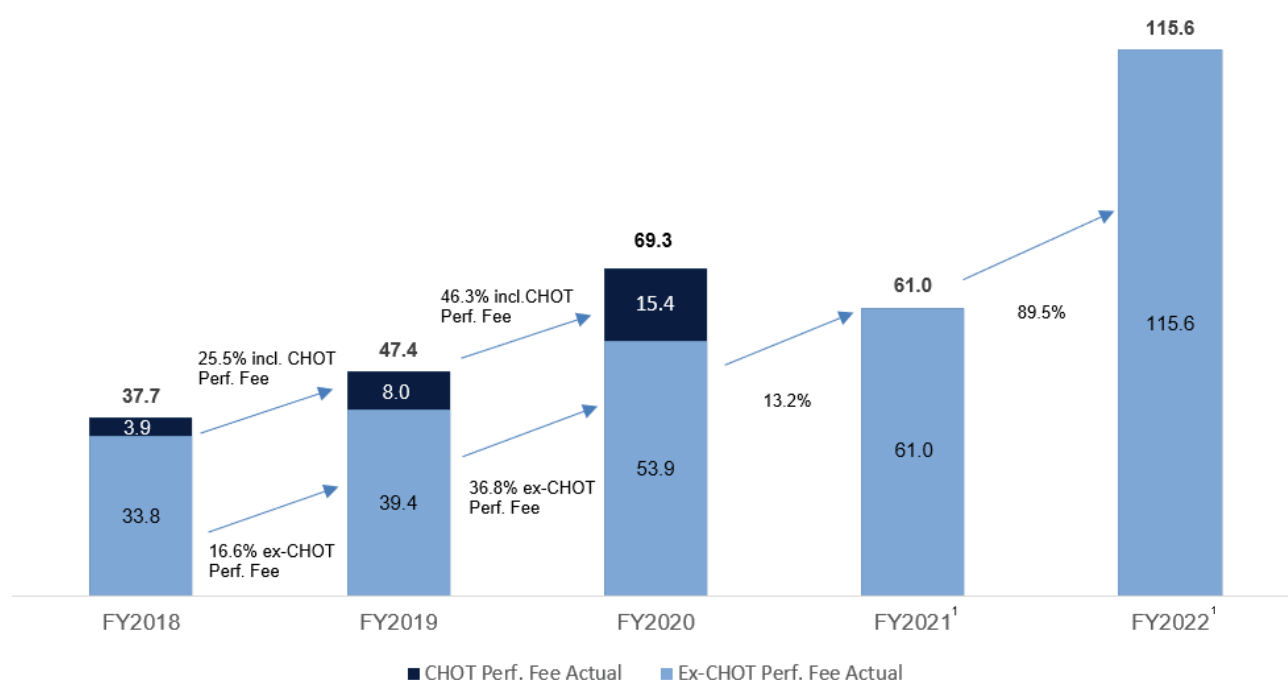
Final Scorecard Outcome for Other Reported Executives

After consideration of the performance of the Group and the Other Reported Executives' KPI performance outcomes, the Board awarded a maximum STI equivalent to 150% of STI target.

Remuneration Report

Group FY2022 performance outcomes

In FY2022, Charter Hall's OEPS was 115.6 cents, which was 89.5% above the FY2021 OEPS. The table below shows Charter Hall's OEPS (cps) over a five-year period:



¹ No CHOT Performance Fee recognised in FY2021 and FY2022

FY2022 STI outcomes

The outperformance of more than 20% above target FY2022 OEPS in FY2022 allows for up to 150% of the total target STI amount to be awarded. Assessment of individual performance scorecards has resulted in 146% of the aggregate target STI at Group level to be awarded, in September 2022, to eligible employees across the Group.

The below table shows the STI outcomes for Reported Executives for 2022.

All three Reported Executives received an outcome of 150% of STI target for FY2022. This is based on individual achievement against KPIs including evidence of behaviour in line with values and overall leadership team contribution to the Group.

Name	STI earned	Paid in cash ¹	Voluntary deferral into rights	Mandatory deferral into service rights	Target STI as % of fixed pay	STI earned compared to target	STI earned compared to maximum
	\$	\$	\$	\$	%	%	%
Managing Director							
D Harrison ²	3,375,000	—	2,250,000	1,125,000	150%	150%	100%
Other Reported Executives							
S McMahon	1,387,500	925,000	—	462,500	100%	150%	100%
R Proutt ³	1,297,500	432,500	432,500	432,500	100%	150%	100%

¹ To be paid on 15 September 2022

² D Harrison has elected to voluntarily defer 50% of the cash component of his FY2022 STI into rights for a 2-year period and 50% into rights for a 3-year period.

³ R Proutt has elected to voluntarily defer 50% of the cash component of his FY2022 STI into rights for a 3-year period

Remuneration Report

6.5 Long Term Incentive

FY2022 LTI plan – key features

Features	Approach										
Purpose	LTI is 'at risk' and aligns with the long-term interests of securityholders and business performance. It also plays an important role in employee retention.										
Participants	Executives										
Type of equity awarded	The LTI is governed by the Performance Rights and Options Plan (PROP), under which rights to stapled securities are granted to participants. Each performance right entitles the participant to one stapled security in the Charter Hall Group for nil consideration at the time of vesting, subject to meeting the performance hurdles outlined below.										
Performance Period	Performance Rights are subject to a four-year performance period commencing on 1 July 2021 and ending on 30 June 2025.										
Performance Rights Allocation Methodology	<p>The number of rights granted to a participant in FY2022 and in prior years was determined based on an independent value calculation prepared by Deloitte using the Black-Scholes-Merton valuation method, which discounted for dividends/distributions forgone during the performance period. There was no discount for market risk.</p> <p>The allocation methodology has changed for all future LTI grants effective FY2023 as outlined in section 4 of this Remuneration Report.</p>										
Vesting Conditions	<p>Performance Rights will vest subject to the satisfaction of the following performance conditions measured over the performance period:</p> <ul style="list-style-type: none"> - 50% of Performance Rights are subject to an aggregate operating earnings per security (OEPS) growth hurdle; and - 50% of Performance Rights are subject to a relative total securityholder return (TSR) hurdle. <p>The OEPS growth performance measure involves setting an aggregate total value of OEPS to be earned over the entire performance period (i.e. for a 4-year performance period, the aggregate total value of OEPS will be year one OEPS, plus year two OEPS, plus year three OEPS, plus year four OEPS). The aggregate OEPS performance measure has a minimum and stretch hurdle set by growing the commencement year OEPS (i.e. the actual OEPS for the financial year end prior to the performance period) by the OEPS growth rates of 5% per annum compound for the minimum aggregate OEPS hurdle and 7% per annum compound for the stretch aggregate OEPS hurdle. For the FY2022 LTI, the Board set the commencement OEPS as the FY2021 actual OEPS result of 61.0 cps (after tax).</p>										
OEPS Growth Performance Measure (50% of LTI Allocation)	<table> <tr> <th>If the aggregate OEPS achieved over the four-year performance period is:</th><th>Percentage of Performance Rights subject to the aggregate OEPS performance measure which may vest</th></tr> <tr> <td>Less than an aggregate OEPS (after tax) of 276.06 cps (based on a 5% CAGR)</td><td>0%</td></tr> <tr> <td>Equal to aggregate OEPS (after tax) of 276.06 cps (based on a 5% CAGR)</td><td>50%</td></tr> <tr> <td>More than an aggregate OEPS (after tax) of 276.06 cps (based on a 5% CAGR) but less than an aggregate OEPS (after tax) of 289.80 cps (based on a 7% CAGR)</td><td>Pro rata straight line vesting between 50% - 100%</td></tr> <tr> <td>Equal to or more than an aggregate OEPS (after tax) of 289.80 cps (based on a 7% CAGR)</td><td>100%</td></tr> </table>	If the aggregate OEPS achieved over the four-year performance period is:	Percentage of Performance Rights subject to the aggregate OEPS performance measure which may vest	Less than an aggregate OEPS (after tax) of 276.06 cps (based on a 5% CAGR)	0%	Equal to aggregate OEPS (after tax) of 276.06 cps (based on a 5% CAGR)	50%	More than an aggregate OEPS (after tax) of 276.06 cps (based on a 5% CAGR) but less than an aggregate OEPS (after tax) of 289.80 cps (based on a 7% CAGR)	Pro rata straight line vesting between 50% - 100%	Equal to or more than an aggregate OEPS (after tax) of 289.80 cps (based on a 7% CAGR)	100%
If the aggregate OEPS achieved over the four-year performance period is:	Percentage of Performance Rights subject to the aggregate OEPS performance measure which may vest										
Less than an aggregate OEPS (after tax) of 276.06 cps (based on a 5% CAGR)	0%										
Equal to aggregate OEPS (after tax) of 276.06 cps (based on a 5% CAGR)	50%										
More than an aggregate OEPS (after tax) of 276.06 cps (based on a 5% CAGR) but less than an aggregate OEPS (after tax) of 289.80 cps (based on a 7% CAGR)	Pro rata straight line vesting between 50% - 100%										
Equal to or more than an aggregate OEPS (after tax) of 289.80 cps (based on a 7% CAGR)	100%										

Remuneration Report

Relative TSR Performance Measure (50% of LTI Allocation)	Performance is determined based on the Group's total ASX shareholder return (assuming distributions are reinvested) ranking against the members of the comparator group over the performance measurement period. The Board determines who is included in that comparator group and how the companies in that group are to be treated.	
	The Board has determined the following comparator group for the FY2022 LTI:	
	Abacus Property Group (ABP)	Growthpoint Properties Australia (GOZ)
	BWP Trust (BWP)	Ingenia Community Stapled Securities (INA)
	Centuria Capital Group (CNI)	Mirvac Group (MGR)
	Centuria Industrial REIT (CIP)	National Storage REIT (NSR)
	Charter Hall Long Wale REIT (CLW)	Scentre Group (SCG)
	Charter Hall Retail REIT (CQR)	Shopping Centres Australasia Property Group (SCP)
	Cromwell Property Group (CMW)	Stockland (SGP)
	Dexus Property Group (DXS)	Vicinity Centres (VCX)
Rationale for Performance Measures	Goodman Group (GMG)	Waypoint REIT (WPR)
	GPT Group (GPT)	
	If, over the relevant performance period the Charter Hall Group relative TSR when ranked to a comparator group of the S&P/ASX 200 A-REIT Accumulation Index is:	
	Less than the comparator group 50th percentile	0%
	Equal to the comparator group 50th percentile	50%
	More than the comparator group 50th percentile and less than 75th percentile	Pro rata straight line vesting between 50% - 100%
	Exceeds the comparator group 75th percentile	100%
	During 2018, the Board reviewed the LTI performance measures to ensure they continue to align with securityholder expectations and with Charter Hall's current strategy. Following the review, the Board determined in FY2019 to retain the Relative TSR performance measure and replace the Absolute TSR performance measure with an aggregate OEPS performance measure.	
	For FY2020, FY2021 and FY2022, the Board agreed the same performance hurdles for Relative TSR and OEPS growth would apply.	
	OEPS growth performance measure rationale	
Rationale for Performance Measures	The aggregate OEPS performance measure was selected because it is within the Executive's ability to influence and is a key driver of securityholder returns and therefore aligns performance with returns to securityholders. The Board excluded the CHOT performance fee from the aggregate OEPS hurdles and actual OEPS performance in the FY2019, FY2020 and FY2021 LTI Plans, however, all other performance fees were included. With the CHOT performance fee paid out in full in FY2021 it was not required to be excluded in the FY2022 LTI Plan aggregate OEPS performance measure.	
	The OEPS growth rates used to set the aggregate OEPS performance hurdles of 5% per annum compound for the minimum aggregate OEPS hurdle and 7% per annum compound for the stretch aggregate OEPS hurdle applied for the FY2019, FY2020, FY2021 and FY2022 LTI plans and is regarded by the Board as a competitive growth rate "through the cycle" when compared to other REITs in the ASX200 A-REIT Accumulation Index.	
	The average OEPS growth for REITs in the ASX200 A-REIT Accumulation Index to 30 June 2021 was as follows:	
	<ul style="list-style-type: none"> Over 3 years to 30 June 2021, approximately -1% CAGR; Over 5 years to 30 June 2021, approximately 1% CAGR; Over 10 years to 30 June 2021, approximately 3.5% CAGR. 	
	The median OEPS growth rates over the same periods were at similar levels as the average growth rates.	
	Analyst consensus forecasts for comparator group average and median OEPS growth over all performance periods to 30 June 2022 are all still less than a 5% CAGR.	
	An OEPS CAGR hurdle of at least 5% over a four-year period requires top quartile performance based on historic OEPS growth within the comparator group.	

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Charter Hall has delivered aggregate OEPS growth well in excess of the 5-7% CAGR range in recent years, this has been achieved as a consequence of a strategy to build a property funds management business which has been well executed by management. The Board believes that management should be rewarded for delivering an OEPS CAGR in excess of the majority of its peers which the team has been regularly achieving. The Board does not believe that because the business is performing well that the OEPS CAGR hurdle ranges should be increased rather that management should continue to be motivated and incentivised to outperform its peers. As the OEPS CAGR hurdle range is "through the cycle" there may be periods when achieving the hurdle growth rates is more difficult.

The aggregate OEPS performance measure was selected because Charter Hall's OEPS can fluctuate due to performance and transaction fee income, and the Board believes that aggregate OEPS allows for OEPS to be considered over the entire four-year performance period.

Relative TSR performance measure rationale

TSR measures the overall returns that a company has provided for its securityholders, reflecting share price movements and reinvestment of dividends over a specified period. Relative TSR is the most widely used LTI performance measure used in Australia. It ensures that value is only delivered to participants if the investment return received by CHC securityholders is sufficiently high relative to the investment returns provided by the comparator group over the same period.

The comparator group for determining the relative TSR performance for the FY22 LTI Relative TSR measure is comprised of the REITs included in the S&P/ASX 200 A-REIT Accumulation Index as at 1 July 2021 however, including Centuria Capital Group (which was added to the S&P/ASX 200 A-REIT Accumulation Index on 16 July 2021 and excluding Uniball-Rodamco-Westfield SE). This comparator group is regarded as sufficiently large enough and the most relevant comparator group as it represents all the major REITs listed and categorised as REITs on the ASX.

Voluntary Restriction Period

At the time of rights allocation, Executives can make an upfront election to apply a voluntary restricted period of 3, 4, 5, 6 or 7 years from the vesting date for 25%, 50%, 75% or 100% of stapled securities allocated to them on vesting of the Performance Rights. Following vesting of the Performance Rights, the restricted stapled securities allocated to participants will not be subject to forfeiture upon termination and participants will be entitled to receive declared distributions during the restricted period.

Distributions

Distributions are not provided on FY2022 Performance Rights as the number of rights allocated to each participant takes into account distributions foregone during the performance period.

The allocation methodology has changed for all future LTI grants effective FY2023 and impacts the treatment of distributions as outlined in section 4 of this Remuneration Report.

Cessation of Employment

In the event of resignation (other than genuine retirement) or termination for cause or termination for poor performance, all unvested Performance Rights will lapse, unless the Board determines otherwise. In any other circumstances unless the Board determines otherwise, the Performance Rights will continue to remain on foot and, subject to the original terms of the offer, as though the Executive had not ceased employment.

Preventing Inappropriate Benefits

The Board has discretion to reduce, including to nil, unvested rights in certain circumstances to ensure Executives do not obtain an inappropriate benefit. The circumstances in which the Board may exercise this discretion include for example, if the Board determines that an Executive has acted fraudulently or dishonestly or engaged in gross misconduct or has acted in a manner which brings the Group into disrepute.

6.6 Deferred STI and LTI Rights awarded – additional terms and conditions

Deferred STI and LTI Awards are subject to some additional terms and conditions as per below:

Change of control provisions	The Board, in its absolute discretion, may determine the manner in which the rights will be dealt with.
Hedging and margin lending prohibitions	In accordance with the Corporations Act 2001, all participants are prohibited from hedging or otherwise protecting the value of unvested stapled securities.

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6.7 FY2022 Group performance summary

The table below provides information on Charter Hall's performance against key metrics over the last five years.

Key performance metrics	2018	2019	2020	2021	2022
Statutory profit after tax for stapled securityholders (\$m)	250.2	235.3	345.9	476.8	911.1
Statutory earnings per stapled security (EPS) (cents)	53.7	50.5	74.3	102.4	194.1
Operating earnings for stapled securityholders (\$m)	175.8	220.7	322.8	284.3	542.8
Operating earnings per stapled security (cents)	37.7	47.4	69.3	61.0	115.6
Growth in OEPS %	5.0	25.5	46.3	(12.0)	89.5
Operating earnings per stapled security (ex CHOT performance fee) (cents) ¹	33.8	39.4	53.9	61.0	115.6
Growth in OEPS (ex CHOT performance fee) %	(6.0)	16.6	36.8	13.2	89.5
Distribution per stapled security (cents)	31.8	33.7	35.7	37.9	40.1
Stapled security price at 30 June (\$) ²	6.52	10.83	9.69	15.52	10.83
CHC total securityholder return – Jul to Jun (%)	24.6	72.4	(7.4)	64.1	(28.3)
Total Funds Under Management (\$bn)	23.2	30.4	40.5	52.3	79.9
Property Funds Under Management (\$bn) ³	23.2	30.4	40.5	52.3	65.6

¹ No CHOT performance fee was recognised in FY21 and FY22.

² The opening share price at 2 July 2018 was \$6.59.

³ Excluding Paradise Investment Management (PIM)

TSR for Charter Hall versus comparable indices is outlined below

Charter Hall has outperformed its peer group over the longer term. The following table compares the total securityholder return for Charter Hall against various indices and the time periods.

Annualised TSR (p.a. compound)	1 Year	3 Years	5 Years	10 Years
CHC ¹	(28.3%)	2.9%	18.5%	22.3%
S&P ASX 100	(5.0%)	3.9%	7.2%	9.6%
S&P ASX 200 A-REIT	(12.3%)	(2.8%)	4.4%	9.2%
MSCI World REITs	(10.8%)	2.0%	4.6%	6.6%

¹ Source UBS. Annualised TSR of 4% for LTI purposes is calculated using June VWAP as opening and closing prices

6.8 Group LTI performance outcomes

OEPS (FY2019 LTI) – The Group delivered aggregate OEPS of 154.4 cents (excluding Charter Hall Office Trust performance fees) over the three years to 30 June 2021 (FY2019 LTI performance period) equivalent to a 22.5% CAGR exceeding the upper end of the performance hurdle aggregate OEPS of 116.4 cents based upon a 7% CAGR over the three-year performance period.

Relative TSR (FY2019 LTI) – The TSR for the three-year performance period was 155.9% equivalent to a 36.8% CAGR achieving the top rank of the 17 REITs in the comparator group from the S&P/ASX200 A-REIT Accumulation Index.

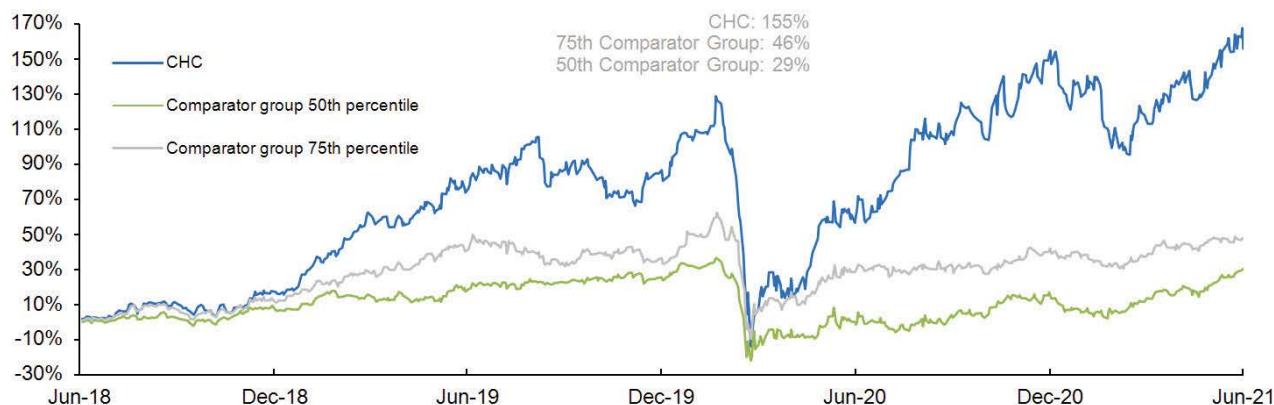
OEPS (FY2020 LTI Tranche 1) – The Group delivered aggregate OEPS of 230.5 cents (excluding Charter Hall Office Trust performance fees) over the three years to 30 June 2022 (FY2020 LTI performance period) equivalent to a 37.3% CAGR exceeding the upper end of the performance hurdle aggregate OEPS of 135.6 cents based upon a 7% CAGR over the three-year performance period.

Relative TSR (FY2020 LTI Tranche 1) – The TSR for the three-year performance period to 30 June 2022 was 12.5% equivalent to a 4% CAGR achieving the 5th ranking of the 17 REITs in the comparator group from the S&P/ASX200 A-REIT Accumulation Index.

The following graphs illustrate the Group's TSR compared with the comparator group's 50th and 75th percentile throughout the FY2019 and FY2020 LTI performance periods.

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FY2019 LTI performance period



FY2020 LTI - Tranche 1 performance period



Outcomes

- The FY2019 LTI had a vesting date of 31 August 2021. As a result of the TSR performance and aggregate OEPS achieved over the three years to 30 June 2021, the relative TSR performance hurdles and aggregate OEPS hurdles were exceeded and 100% of the performance rights vested and was subject to a further one-year holding lock.
- In FY2020, with the introduction of the four-year vesting period for LTI, transition arrangements are in place for FY2020 LTI, where performance rights are due to vest in two equal tranches at the end of year 3 (50%) and year 4 (50%). The first tranche of FY2020 LTI has a vesting date of 31 August 2022. As a result of the TSR performance and aggregate OEPS achieved over the three years to 30 June 2022, the relative TSR performance hurdles and aggregate OEPS hurdles were exceeded and 100% of the performance rights will vest on 31 August 2022. The second tranche of the FY2020 LTI grant will be due for testing on 30 June 2023.
- Further details of the terms of these awards are set out in the relevant prior year remuneration reports.

Remuneration Report

6.9 One-Off Retention and Outperformance Plan (ROP) Award Granted in FY2022

Purpose of the Plan

As was outlined in the FY2021 Remuneration Report, the Board considered the leadership, expertise and experience critical to the ongoing outperformance of Charter Hall, as the Group embarked on the next period of growth. The Board and the Committee believed that the current executive remuneration framework was sound based upon market comparators. However, other factors including, continuity of leadership, retaining a high performing team and allowing for orderly succession planning, were considered as critical in the highly competitive executive leadership talent landscape. Given the success of the Group, competition for key executives has been strong from private equity and other listed real estate groups, keen to grow their property funds management operations. The Board wanted to retain (and reduce the risk of losing) the key executives who have been responsible for the Group's significant success and growth in prior years.

The ROP is designed to complement the current annual remuneration framework by providing an additional retention mechanism with reward for outperformance. The ROP is long-term in nature with a five-year performance period and intentionally longer than the LTI Plan period and the 2-year holding lock is designed to act as an additional retention mechanism with participants having additional Charter Hall equity ownership.

In all, 28 participants were offered the ROP Performance Rights across the Charter Hall business and across multiple business lines. It will take 7 years before management can access the potential rewards, ensuring long-term alignment of interests and, subject to achieving challenging performance hurdles, an award of significant quantum to incentivise these key executives to maintain employment with Charter Hall Group.

Rewards will only be earned if Group TSR performance over five years from 1 July 2021 to 30 June 2026 strongly outperforms on a Relative TSR basis and achieves a minimum Absolute TSR and then vests for each Participant only if they meet individual performance expectations and behaviours consistent with the Group's purpose and values, to the satisfaction of the Board.

The grant of Performance Rights for the Managing Director under the ROP was approved by securityholders at the 2021 AGM.

What is the average annual issue of Charter Hall securities under the ROP and the LTI Plan?

Under the FY2022 ROP a maximum of 1.06% of securities on issue are issued at full vesting at the end of the 5-year performance period (or equivalent to 0.21% pa) and approximately 0.18% of securities on issue are currently issued at full vesting under the LTI Plan each year. This means on average approx. 0.39% of securities on issue are issued each year at 100% vesting across both plans.

Financial performance measures

The first performance measure is a **relative performance gateway** and requires a top-3 ranking in terms of TSR over the performance period against the comparator group. A top-3 position would be equivalent to an 89th percentile position. If this is not achieved the ROP Performance Rights do not vest. Across the peer group, for those REITs that have a Relative TSR measure in their LTI plans, 100% vesting typically occurs at a 75th percentile Relative TSR performance. The measure in this plan serves to ensure that the Absolute TSR performance (second measure) is sufficient on a Relative TSR performance basis.

If the first measure is achieved, the second performance measure has an **Absolute TSR performance gateway** measure equivalent to a 12% CAGR over the performance period. At this gateway threshold, 40% of the performance rights would vest (subject to the 2-year holding lock period) with up to 100% vesting if the TSR over the performance period is equivalent to a 15% CAGR or greater; with vesting prorated between these performance hurdles based on actual TSR achieved.

The 12%-15% CAGR range for the TSR measure has been selected as it represents strong absolute performance and requires significant ongoing OEPS growth over the 5-year performance period, particularly in circumstances where there is no increase in Charter Hall's price earnings (PE) multiple. While Charter Hall achieved a higher TSR over the five years to 30 June 2021 this was as a result of both strong OEPS growth and a significant increase in its price earnings multiple in an environment of declining interest rates and real asset appreciation and is also reflective of the continued expectation of operating earnings per security growth. If there are price earnings multiple increases that contribute materially to the TSR performance of Charter Hall then the relative TSR performance gateway measure will establish whether Charter Hall's Absolute TSR is in the top three of the S&P/ASX 200 A-REIT Index constituents to qualify for vesting.

The two financial performance measures are designed to ensure that the absolute TSR performance is challenging and at the end of the performance period sufficient on a relative TSR performance basis. When considered in combination with the Relative TSR measure, the structure requires both sector leading performance and absolute returns in excess of long-term market averages as measured by the S&P/ASX200 A-REIT Index.

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In addition to meeting the financial performance hurdles, vesting for individual participants in the Plan only occurs if they meet individual non-financial performance expectations and behaviour consistent with the Group's purpose and values, to the satisfaction of the Board.

How were the ROP individual allocations and total potential quantum determined?

The ROP total potential quantum was established by reference to the total target remuneration (TTR) of each of the executives in the plan with the objective of providing an incentive to retain participants and a meaningful reward for delivering strong outperformance to securityholders.

Individual Allocations

The individual allocation of ROP Performance Rights to the 28 participants assuming a face value (not adjusted for the risk of vesting) based on the Charter Hall price at the time of Board consideration represented an average of approximately two times FY2022 total target remuneration (TTR) to be potentially earned over 5 years accessible in 7 years. On this measure the annualised amortised face value of ROP Performance Rights represents less than half one year's total annual target remuneration and is only realised if challenging performance hurdles are achieved for the benefit of securityholders. A proportion of TTR rather than FAR was regarded as the fairer allocation basis between participants and a reasonable basis to assess the additional benefit to be potentially earned if outperformance is achieved. The actual value to participants if vesting occurred was seen as being of sufficient quantum to retain plan participants and incentivise them to deliver outperformance, while also being an impediment to plan participants being approached by other organisations.

Total Potential Quantum

If the 5-year TSR equivalent to a 12% CAGR is achieved, Charter Hall's market capitalisation will likely have increased by approximately \$4 billion (based on current DPS policy and no change in securities issued from the start of FY2022), or 55% growth from the market capitalisation at the start of FY2022. Of that increase in market capitalisation, participants in the plan could earn through vesting of performance rights securities equivalent to 1.2% of the market capitalisation increase. At a TSR equivalent to a 15% CAGR, the increase in market capitalisation would be approximately \$5.6 billion or 79% growth from the market capitalisation at the start of FY2022. At that level, participants in the plan would earn through vesting of performance rights securities equivalent to 2.4% of the increase in market capitalisation.

The Board felt that if the Company delivered the challenging levels of TSR performance for securityholders the value of the incentive for employee participants in the ROP would be meaningful to them and represent a modest sharing in the total growth in value of Charter Hall thereby providing a strong alignment for management with securityholders.

Remuneration Report

FY2022 Retention and Outperformance Plan Terms

Performance Rights Pool	5.0 million Performance Rights	Represents approximately 1% of issued and outstanding securities (465.8 million total securities outstanding as at 1 July 2021)			
Participants	Managing Director, Other Reported Executives and other senior executives across the Group				
Performance Period	5-year period commencing 1 July 2021 and ending 30 June 2026				
Performance Measures	Financial Performance Measures				
	1. Gateway Relative TSR performance measure: Top three TSR rank against the comparator group over the performance period. The comparator group consists of the S&P/ASX 200 A-REIT Accumulation Index constituents as at 1 July 2021 however, including Centuria Capital Group (which was added to the S&P/ASX 200 A-REIT Accumulation Index on 16 July 2021 and excluding Uniball-Rodamco-Westfield SE). This is the same comparator group as for the FY2022 LTI Plan.				
	2. Absolute TSR performance measure: TSR performance range from a minimum TSR equivalent to a 12% CAGR to a TSR equivalent to a 15% CAGR over the performance period, with 40% vesting at a TSR equivalent to a 12% CAGR prorated straight-line to 100% vesting at a TSR equivalent to a 15% CAGR.				
	For example				
	TSR % Achieved (5-year CAGR)				
		12%	13%	14%	15%
	Award % Achieved	40%	60%	80%	100%
	Non-Financial Performance Measures				
	Gateway Non-Financial performance measure: for each participant vesting only occurs if they meet individual non-financial performance expectations and behaviour consistent with the Group's purpose and values, to the satisfaction of the Board.				
Initial Price for determining TSR	\$15.21 representing the VWAP for the month of June 2021.				
Vesting	Subject to meeting the performance conditions (as noted above), the Performance Rights will vest following 30 June 2026, however, any securities allocated will remain subject to a holding lock for two years until 30 June 2028.				
Distribution and Voting Rights	The allocated Performance Rights will not have any rights to vote or receive any distributions during the performance period. During the two-year holding lock period between 30 June 2026 and 30 June 2028, Plan participants will receive declared distributions on securities allocated to the participant on vesting of their Performance Rights.				
Cessation of Employment	In the event of resignation (other than genuine retirement) or termination for cause or termination for poor performance (as determined by the Board), prior to the end of the vesting period, all unvested rights and prior to the end of the holding lock period, restricted securities (if the rights have vested) will lapse, unless the Board determines otherwise. In any other circumstances unless the Board determines otherwise, a pro rata portion of rights (calculated based on the portion of the performance period that has elapsed up until the date of termination) and all restricted securities will continue to remain on foot and, subject to the original terms of the offer, as though the Executive had not ceased employment.				
Preventing Inappropriate Benefits	The Board has discretion to reduce, including to nil, unvested rights in certain circumstances to ensure participants do not obtain any inappropriate benefit. The circumstances in which the Board may exercise this discretion include, for example, where the Board determines that an Executive has acted fraudulently, dishonestly, or has engaged in gross misconduct or has acted in a manner which brings the Group into disrepute.				
Hedging	In accordance with the Corporations Act 2001, all participants are prohibited from hedging or otherwise protecting the value of unvested stapled securities.				
Change of Control Provisions	The Board, in its absolute discretion, may determine the manner in which the rights will be dealt with.				

7. Executive remuneration in detail

7.1 Total remuneration of Reported Executives

The following table details the total remuneration of the Reported Executives of the Group for FY2021 and FY2022.

Name	Short-term benefits				Post-employment benefits	Security-based payments		Other long-term benefits		Total	% of total remuneration consisting of rights ⁶
	Salary	Cash short-term incentive	Annual leave ¹	Non-monetary benefits ²	Superannuation	Voluntarily deferred short-term incentive ⁷	Mandatory security-based short-term incentive ⁷	Securities options and performance rights	Long service leave ¹		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Managing Director											
D Harrison ³											
2022	1,476,432	–	78,750	691	23,568	2,467,088	1,233,538	3,186,109	26,251	8,492,427	81
2021	1,478,306	1,500,000	(30,413)	1,373	21,694	–	750,000	1,681,249	26,251	5,428,460	45
Other Reported Executives											
S McMahon ⁴											
2022	902,932	925,000	74,824	691	23,568	–	507,103	985,853	22,583	3,442,554	43
2021	828,306	539,303	(3,458)	1,373	21,694	179,768	359,535	516,163	14,876	2,457,559	43
R Proutt ⁵											
2022	841,432	432,500	4,940	691	23,568	474,221	474,208	963,321	18,250	3,233,131	59
2021	798,306	–	(19,879)	1,373	21,694	641,000	320,500	545,050	14,351	2,322,395	65
Total 2022	3,220,796	1,357,500	158,514	2,073	70,704	2,941,309	2,214,849	5,135,283	67,084	15,168,112	68
Total 2021	3,104,918	2,039,303	(53,750)	4,119	65,082	820,768	1,430,035	2,742,462	55,478	10,208,414	49

1 Shows the movement in leave accruals for the year.

2 Non-monetary benefits for FY2022 is salary continuance insurance.

3 D Harrison has elected to voluntarily defer 50% of the cash component of his FY2022 STI into rights for a 2-year period and 50% into rights for a 3-year period.

4 S McMahon had elected to voluntarily defer 25% of the cash component of his FY2021 STI into rights for a 3-year period.

5 R Proutt has elected to voluntarily defer 50% of the cash component of his FY2022 STI into rights for a 3-year period; in FY2021 he had elected to defer 100% of the cash component of his FY2021 STI into rights for a 3-year period.

6 Includes voluntarily deferred cash STI, mandatory security based STI and Securities options and performance rights.

7 The amounts included in the table above reflect the fair value of the mandatory deferred and voluntary deferred STI awards at the respective grant dates rather than the June VWAP ('face value') used for allocation purposes. Total STI awards in FY22, based on allocation date, for each reported executive was: D. Harrison \$3,375,000, S. McMahon \$1,387,500, R. Proutt \$1,297,500.

7.2 Key terms of employment

The remuneration and other terms of employment for Reported Executives are formalised in employment contracts. Each of these contracts provides for participation in the Group's STI and LTI programs and payment of other benefits.

All Reported Executives' contracts are ongoing in duration. The notice period for the Managing Director and Other Reported Executives are summarised below:

		Minimum Notice Period ¹	
Name	Position	Employee	Charter Hall
Managing Director			
David Harrison ²	Managing Director and Group CEO	6 months	12 months
Other Reported Executives			
Sean McMahon	Chief Investment Officer	6 months	6 months
Russell Proutt	Chief Financial Officer	6 months	6 months

1 No notice period is required for termination by the Company for serious or wilful misconduct by the employee.

2 Where the Managing Director gives notice of his cessation of employment, he is entitled to a restraint payment of a maximum of six month equivalent fixed remuneration so long as he complies with the terms of his employment agreement for the period of six months following his cessation.

Other than as described above, the Reported Executives' contracts do not provide for any termination benefits aside from payment in lieu of notice (where applicable).

8. Non-Executive Director Remuneration

Policy	The Committee makes recommendations to the Board on the total level of remuneration of the Chair and other Non-Executive Directors, including any additional fees payable to Directors for membership of Board committees.
Benchmarking	<p>Fees are set by reference to the following considerations:</p> <ul style="list-style-type: none"> – industry practice and best principles of corporate governance; – responsibilities and risks attaching to the role of NEDs; – the time commitment expected of NEDs on Group matters; and – reference to fees paid to NEDs of other comparable companies. <p>NED fees are periodically reviewed and benchmarked against the market to ensure they remain in line with general industry practice and reflect proper compensation for duties undertaken.</p>
Fee framework	<p>NED fees, including committee fees, are set by the Board within the aggregate amount of \$2.0 million per annum as approved by securityholders at the AGM in November 2021.</p> <p>Under the current framework, NEDs, other than the Chair receive (inclusive of superannuation):</p> <ul style="list-style-type: none"> – Board base fee; and – Committee fees. <p>The Chair receives an all-inclusive fee.</p> <p>NEDs are also entitled to be reimbursed for all business-related expenses, including travel on Charter Hall business, incurred in the discharge of their duties in accordance with Charter Hall's Constitution.</p> <p>In accordance with principles of good corporate governance, NEDs do not receive any benefits upon retirement under any retirement benefits schemes (other than statutory superannuation) and NEDs are not eligible to participate in any of Charter Hall's employee incentive schemes.</p>
Remuneration outcomes	The Chair, member and committee fees were increased in FY2022. Further details are outlined in section 8.1 below.
Minimum shareholding requirement	<p>During FY2022, the Board reviewed the Minimum Charter Hall Securityholding Requirements for Non-Executive Directors.</p> <p>NEDs are now required to hold a minimum of 100% of annual base director fees, excluding Committee membership fees (up from \$90,000 and approximately 50% of annual Director fees) in CHC securities within three years of appointment as a NED or from the date of this policy, whichever is the later and maintain it on an on-going basis.</p> <p>The value of securities for determining compliance is the higher of cost or market value.</p>

8.1 Changes to NED Fees and Maximum Aggregate NED Fee Pool

As was outlined in the FY2021 Remuneration Report, NED fees were last independently reviewed relative to market five years ago. Since then Charter Hall's market capitalisation had increased by 182% from \$2.56 billion (as at 30 June 2017) to \$7.23 billion (as at 30 June 2021) and the Group's FUM had increased by 164% from \$19.8 billion (as at 30 June 2017) to \$52.3 billion (as at 30 June 2021). This growth increased the operational intensity, accountability (both legal and financial) and the responsibilities of Board members towards securityholders. Accordingly, EY were engaged to provide current market benchmarking data in relation to NED Board and Committee fees to assist with a review to align NED fees with market for comparable companies. This review took into account the Group's current market capitalisation, FUM, business complexity and intensity.

A summary of the NED fees in FY2021 and the increased fees in FY2022 based upon the independent market benchmarking data review undertaken are set out below.

	2022 \$	2021 \$
Summary of fee framework per annum		
Board		
Chair	465,000	393,600
Member	175,000	157,590
Audit Risk and Compliance Committee		
Chair	55,000	42,025
Member	25,000	21,010
Remuneration and Human Resources Committee		
Chair	40,000	31,515
Member	18,500	15,755
Nomination Committee		
Chair	5,000	3,150
Member	5,000	3,150
Investment Committee		
Chair	17,000	15,755
Member	12,000	10,505

Again, as was noted in the FY2021 Remuneration Report, a review of the maximum aggregate NED fee pool was undertaken relative to comparable companies. The maximum aggregate NED fee pool approved by securityholders at the 2017 AGM was \$1.7 million. Due to the increase in NED fees to take effect in FY2022 and to allow for future increases and the potential for an additional NED, it was recommended that the maximum aggregate NED fee pool of \$1.7 million be increased to \$2.0 million. Securityholders approved this increase at the 2021 AGM.

8.2 Statutory NED Remuneration for FY2022

	2022 fees \$	2021 fees \$
Non-Executive Director remuneration		
Non-Executive Directors		
D Clarke	465,000	393,600
A Brennan ¹	–	189,998
P Garling AM ²	79,180	192,250
K Moses	253,500	203,554
D Ross	252,000	196,421
G Paramor AO ³	208,682	187,791
J Chow	200,000	65,454
Total	1,458,362	1,429,068

¹ Anne Brennan retired from the Board effective 31 May 2021.

² Philip Garling AM retired from the Board effective 11 November 2021.

³ Greg Paramor AO was appointed to the Nomination Committee effective 11 November 2021 in addition to his current Committee memberships.

9. Additional Disclosures

9.1 Securityholdings

Key management personnel securityholdings

Name	Opening balance at 1 Jul 2021	Stapled securities acquired	Rights and options exercised	Stapled securities sold	Closing balance at 30 Jun 2022
Directors of Charter Hall Limited					
<i>Ordinary stapled securities</i>					
D Clarke	45,875	4,000	—	—	49,875
P Garling AM ¹	18,351	—	—	—	—
K Moses	23,137	—	—	—	23,137
D Ross	10,000	—	—	—	10,000
G Paramor AO	14,300	—	—	—	14,300
J Chow	500	5,000	—	—	5,500
Managing Director					
D Harrison	1,413,463	—	378,679	(369,105)	1,423,037
Other Reported Executives					
S McMahon	312,293	100,763	131,844	(83,557)	461,343
R Proutt	178,160	—	134,485	(137,977)	174,668

¹ Philip Garling AM retired from the Board effective 11 November 2021

9.2 Performance Rights and Option Plan details

Performance rights and service rights outstanding under the PROP

Performance rights

Financial year of grant	Securities	Exercise price	Vesting conditions
2020	660,969	Nil	OEPS and relative performance criteria
2021	795,147	Nil	OEPS and relative performance criteria
2022	753,826	Nil	OEPS and relative performance criteria
2022	5,000,000	Nil	Performance conditions
Total performance rights outstanding	7,209,942		

Service rights

Financial year of grant	Securities	Exercise price	Vesting conditions
2020	320,000	Nil	Service Conditions
2021	109,928	Nil	Service conditions - Deferred STI
2021	672,282	Nil	Voluntary Deferred STI
2021	100,000	Nil	Service Conditions
2022	156,280	Nil	Service conditions - Deferred STI
2022	319,650	Nil	Voluntary Deferred STI
Total service rights issued	1,678,140		

10. Appendix

Valuation model

The Black-Scholes-Merton methodology which discounts for dividends/distributions foregone (there is no discount for market risk) is used for allocation purposes for all rights and accounting purposes for non-market based performance rights. The Monte Carlo method is used for accounting purposes for market based performance rights. The accounting value determined using a Monte Carlo simulation valuation is in accordance with AASB 2.

10. Appendix

Reported Executive rights – details by plan

Type of equity	Rights held at 1 July 2021	Rights granted during the year	Rights vested and exercised during the year	Rights forfeited during the year	Rights held at 30 June 2022	Grant date	Fair value per right at grant date (\$)	Vesting date	Fair value to be expensed in future years (\$)¹
Managing Director									
D Harrison									
LTI Performance Rights	304,238	-	304,238	-	-	28-Nov-18	5.09	31-Aug-21	-
LTI Performance Rights	113,706	-	-	-	113,706	25-Nov-19	7.10	31-Aug-22	42,530
LTI Performance Rights	113,705	-	-	-	113,705	25-Nov-19	7.01	31-Aug-23	222,807
LTI Performance Rights	265,737	-	-	-	265,737	26-Nov-20	10.33	31-Aug-24	1,426,815
ROP Performance Rights	-	905,776	-	-	905,776	11-Nov-21	5.86	31-Aug-26	4,278,890
LTI Performance Rights	-	218,594	-	-	218,594	14-Dec-21	18.52	31-Aug-25	3,074,814
STI Deferred Service Rights	33,980	-	33,980	-	-	01-Jul-19	10.36	31-Aug-21	-
STI Deferred Service Rights	40,461	-	40,461	-	-	01-Jul-20	9.44	31-Aug-21	-
STI Deferred Service Rights	40,461	-	-	-	40,461	01-Jul-20	9.10	31-Aug-22	-
STI Deferred Service Rights	84,918	-	-	-	84,918	01-Jul-20	8.83	31-Aug-23	-
STI Deferred Service Rights	91,263	-	-	-	91,263	01-Jul-20	8.22	31-Aug-25	-
STI Deferred Service Rights	-	25,692	-	-	25,692	27-Jul-21	15.63	31-Aug-22	-
STI Deferred Service Rights	-	25,692	-	-	25,692	27-Jul-21	15.27	31-Aug-23	-
Other Reported Executives									
S McMahon									
LTI Performance Rights	98,287	-	98,287	-	-	28-Nov-18	5.09	31-Aug-21	-
LTI Performance Rights	33,917	-	-	-	33,917	25-Nov-19	7.10	31-Aug-22	12,686
LTI Performance Rights	33,916	-	-	-	33,916	25-Nov-19	7.01	31-Aug-23	66,459
LTI Performance Rights	79,264	-	-	-	79,264	26-Nov-20	10.33	31-Aug-24	425,590
ROP Performance Rights	-	372,374	-	-	372,374	11-Sep-21	4.58	31-Aug-26	1,374,857
LTI Performance Rights	-	67,400	-	-	67,400	14-Dec-21	18.52	31-Aug-25	948,070
STI Deferred Service Rights	14,161	-	14,161	-	-	01-Jul-19	10.36	31-Aug-21	-
STI Deferred Service Rights	19,396	-	19,396	-	-	01-Jul-20	9.44	31-Aug-21	-
STI Deferred Service Rights	19,396	-	-	-	19,396	01-Jul-20	9.10	31-Aug-22	-
STI Deferred Service Rights	40,708	-	-	-	40,708	01-Jul-20	8.83	31-Aug-23	-
STI Deferred Service Rights	-	12,781	-	-	12,781	27-Jul-21	14.91	31-Aug-24	-
STI Deferred Service Rights	-	12,316	-	-	12,316	27-Jul-21	15.63	31-Aug-22	-
STI Deferred Service Rights	-	12,316	-	-	12,316	27-Jul-21	15.27	31-Aug-23	-
R Proutt									
LTI Performance Rights	104,689	-	104,689	-	-	28-Nov-18	5.09	31-Aug-21	-
LTI Performance Rights	35,633	-	-	-	35,633	25-Nov-19	7.10	31-Aug-22	13,328
LTI Performance Rights	35,633	-	-	-	35,633	25-Nov-19	7.01	31-Aug-23	69,824
LTI Performance Rights	83,276	-	-	-	83,276	26-Nov-20	10.33	31-Aug-24	447,131
LTI Performance Rights	-	63,028	-	-	63,028	14-Dec-21	18.52	31-Aug-25	886,572
ROP Performance Rights	-	348,220	-	-	348,220	11-Sep-21	4.58	31-Aug-26	1,285,677
STI Deferred Service Rights	12,506	-	12,506	-	-	01-Jul-19	10.36	31-Aug-21	-
STI Deferred Service Rights	17,290	-	17,290	-	-	01-Jul-20	9.44	31-Aug-21	-
STI Deferred Service Rights	17,290	-	-	-	17,290	01-Jul-20	9.10	31-Aug-22	-
STI Deferred Service Rights	36,288	-	-	-	36,288	01-Jul-20	8.83	31-Aug-23	-
STI Deferred Service Rights	38,999	-	-	-	38,999	01-Jul-20	8.22	31-Aug-25	-
STI Deferred Service Rights	-	45,574	-	-	45,574	27-Jul-21	14.91	31-Aug-24	-
STI Deferred Service Rights	-	10,979	-	-	10,979	27-Jul-21	15.63	31-Aug-22	-
STI Deferred Service Rights	-	10,979	-	-	10,979	27-Jul-21	15.27	31-Aug-23	-

1 The maximum value of the grants yet to vest is the fair value amount at the grant date yet to be reflected in the Group's consolidated income statement. The minimum future value is \$nil as the future performance and service conditions may not be met.

11. Other Transactions with KMP

There were no loans made, guaranteed or secured, directly or indirectly, by the Company and any of its subsidiaries to KMP or their related parties during the year. There were no other transactions between the Company or any of its subsidiaries and any KMP or their related parties during the year.

Directors' report – continued

Indemnification and insurance of directors, officers and auditor

During the year, the Charter Hall Group contributed to the premium for a contract insuring all directors, secretaries, executive officers and officers of the Charter Hall Group and of each related body corporate of the Group, with the balance of the premium paid by funds managed by members of the Charter Hall Group. The insurance does not provide any cover for the independent auditor of the Charter Hall Group or of a related party of the Charter Hall Group. In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

So long as the officers of the Responsible Entity act in accordance with the Charter Hall Property Trust's constitution and the Corporations Act 2001, the officers are indemnified out of the assets of the Charter Hall Property Trust against losses incurred while acting on behalf of the Charter Hall Property Trust. The Charter Hall Group indemnifies the auditor (PricewaterhouseCoopers Australia) against any liability (including legal costs) for third party claims arising from a breach by the Charter Hall Group of the auditor's engagement terms, except where prohibited by the Corporations Act 2001.

Non-audit services

The Company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year, the following fees were paid for non-audit services provided by the auditor and its related practices by the Charter Hall Group and Charter Hall Property Trust Group:

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$	\$	\$	\$
PricewaterhouseCoopers – Australian Firm				
Taxation services	144,800	9,300	–	–
PricewaterhouseCoopers – New Zealand Firm				
Taxation services for DLWF	6,569	1,472	6,569	1,472
Total remuneration for taxation services	151,369	10,772	6,569	1,472
Other services				
PricewaterhouseCoopers – Australian Firm				
Other assurance services	18,150	–	–	–
Total remuneration for other services	18,150	–	–	–
Total remuneration for non-audit services	169,519	10,772	6,569	1,472

Environmental regulation

The Charter Hall Group recognises that sustainability is more than protecting the natural environment; it is about responding to the needs of our customers, achieving our long-term commercial goals and working in partnership with our stakeholders to improve environmental and social outcomes.

The Board has oversight of our sustainability strategy, policies, risks and opportunities, including our approach to climate change and the integration of ESG into our systems. Our Group Sustainability Policy outlines our commitments to achieving a sustainable future and can be found at: <https://www.charterhall.com.au/About-Us/corporate-governance/corporate-governance-charter-hall-group>.

The Group has processes in place to comply with applicable environmental standards and regulations. The Group reports its greenhouse gas emissions and energy use on an annual basis under the National Greenhouse and Energy Reporting Act 2007. The Group is actively addressing and managing environmental impacts to achieve the following commitments:

- Net Zero Scope 1 and 2 emissions by 2030
- 100% Renewable Electricity by 2025
- 50% diversion of waste from landfill by 2025
- 4.5 Star National Australian Built Environment Rating System (NABERS) Water weighted average portfolio rating for Office and Retail by 2030
- 5 Star NABERS Energy weighted average portfolio rating for Office by 2025
- 4.5 Star NABERS Energy weighted average portfolio rating for Retail by 2025

Charter Hall has a demonstrated track record in using independent rating tools to benchmark and measure operational performance of its property portfolios, including Green Star, NABERS and WELL.

Charter Hall voluntarily reports annually to international organisations, such as the United Nations Principles for Responsible Investment (PRI), Dow Jones Sustainability Index (DJSI), and Global Real Estate Sustainability Benchmark (GRESB). This year, the Group responded to the DJSI Reports for the CHC and GRESB Real Estate Asset Reports for CQR, RP1, RP2, RP6, CPRF, CPOF, DOF, CHOT, PFA, BSWF, CHAIT, CCT, DIF4, DVP, 201E, CTT, 1BT, CLW, CHPIP, CPIF, CPRF, CLP, DLWF and LWHP and GRESB Public Disclosure Statements for CLW, CQR, CHC, and CQE.

Labour practices

Charter Hall Group became a signatory to the UN Global Compact on 8 March 2019. Charter Hall's Human Rights Policy and Supplier Code of Conduct can be found at <https://www.charterhall.com.au/About-Us/corporate-governance/corporate-governance-charter-hall-group>. These documents outline our commitment to manage our operations in line with the UN Guiding Principles, the UN Global Compact and international and Australian Modern Slavery legislation, reflecting

both our business needs and the expectations of our customers and key stakeholders.

Tax Governance Statement

Charter Hall Group has adopted the Board of Taxation's Tax Transparency Code (TTC) at 30 June 2017. As part of the TTC, Charter Hall has published a Tax Governance Statement (TGS) which details Charter Hall Group's corporate structure and tax corporate governance systems. Charter Hall Group's TGS can be found on our website at <https://www.charterhall.com.au/about-us/corporate-governance/corporate-governance-charter-hall-group>.

Proceedings on behalf of the Company

Section 237 of the Corporations Act 2001 allows for a person to apply to the Court to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, in certain circumstances.

No person has made such an application and no proceedings have been brought or intervened in on behalf of the Company with the Court.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 83.

Rounding of amounts

The Company and the Trust is of a kind referred to in ASIC Corporations Instrument (Rounding in Financial/Directors' Reports) 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that instrument to the nearest hundred thousand dollars, or in certain cases, to the nearest dollar.

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 25 August 2022. The Directors have the power to amend and re-issue the Financial Statements.



David Clarke
Chair

Sydney
25 August 2022



Auditor's Independence Declaration

As lead auditor for the audit of Charter Hall Limited and its controlled entities and Charter Hall Property Trust and its controlled entities (together "Charter Hall Group") and Charter Hall Property Trust and its controlled entities (together "Charter Hall Property Trust Group") for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Charter Hall Limited and its controlled entities and Charter Hall Property Trust and its controlled entities (together "Charter Hall Group") and Charter Hall Property Trust and its controlled entities (together "Charter Hall Property Trust Group") and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'E A Barron'.

E A Barron
Partner
PricewaterhouseCoopers

Sydney
25 August 2022

Consolidated statements of comprehensive income

For the year ended 30 June 2022

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	2022 \$'m	2021 \$'m	2022 \$'m	2021 \$'m
Income					
Revenue	4	1,098.3	668.0	28.1	26.7
Share of net profit from equity accounted investments method	2,3	544.9	314.0	509.2	297.1
Net gain on sale of investments		0.3	0.4	–	0.4
Other net fair value adjustments		23.2	29.0	4.6	29.0
Total income		1,666.7	1,011.4	541.9	353.2
Expenses					
Employee costs	5	(181.5)	(148.0)	–	–
Development costs		(299.0)	(245.5)	–	–
Administration and other expenses	5	(37.2)	(31.0)	(6.8)	(7.4)
Finance costs		(15.0)	(9.9)	(13.8)	(9.6)
Depreciation, amortisation and impairment	5	(27.6)	(16.2)	–	(6.9)
Net loss on sale of investments		–	–	(1.6)	–
Other net losses		–	(2.6)	–	–
Total expenses		(560.3)	(453.2)	(22.2)	(23.9)
Profit before tax		1,106.4	558.2	519.7	329.3
Income tax expense	6	(179.4)	(62.6)	–	–
Profit for the year		927.0	495.6	519.7	329.3
Profit for the year attributable to:					
Equity holders of Charter Hall Limited		407.3	166.3	–	–
Equity holders of Charter Hall Property Trust (non-controlling interest)		503.8	310.5	503.8	310.5
Profit attributable to stapled securityholders of Charter Hall Group		911.1	476.8	503.8	310.5
Net profit attributable to other non-controlling interests	18	15.9	18.8	15.9	18.8
Profit for the year		927.0	495.6	519.7	329.3

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	2022 \$'m	2021 \$'m	2022 \$'m	2021 \$'m
Profit for the year		927.0	495.6	519.7	329.3
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations		(0.5)	0.1	(0.5)	0.1
Changes in the fair value of cash flow hedges		5.1	(4.4)	5.1	(4.4)
Other comprehensive income/(loss) for the year		4.6	(4.3)	4.6	(4.3)
Total comprehensive income for the year		931.6	491.3	524.3	325.0
Total comprehensive income for the year is attributable to:					
Equity holders of Charter Hall Limited		407.3	166.3	–	–
Equity holders of Charter Hall Property Trust (non-controlling interest)		508.4	306.2	508.4	306.2
Total comprehensive income attributable to stapled securityholders of Charter Hall Group		915.7	472.5	508.4	306.2
Total comprehensive income attributable to other non-controlling interests	18	15.9	18.8	15.9	18.8
Total comprehensive income for the year		931.6	491.3	524.3	325.0
Basic earnings per security (cents) attributable to:					
Equity holders of Charter Hall Limited		86.8	35.7	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)		107.3	66.7	107.3	66.7
Basic earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group	8(a)	194.1	102.4	n/a	n/a
Diluted earnings per security (cents) attributable to:					
Equity holders of Charter Hall Limited		85.4	35.4	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)		105.6	66.1	105.6	66.1
Diluted earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group	8(b)	191.0	101.5	n/a	n/a

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 30 June 2022

	Note	Charter Hall Group 2022 \$'m	2021 \$'m	Charter Hall Property Trust Group 2022 \$'m	2021 \$'m
Assets					
<i>Current assets</i>					
Cash and cash equivalents		594.7	351.9	53.4	71.3
Receivables and other assets	9	115.4	119.3	53.1	42.9
Development assets		35.0	0.4	–	–
Derivative financial instruments	15	4.2	4.4	4.2	4.4
Assets classified as held for sale		79.0	23.1	79.0	23.1
Total current assets		828.3	499.1	189.7	141.7
<i>Non-current assets</i>					
Receivables and other assets	9	3.4	5.9	–	12.3
Derivative financial instruments	15	41.9	30.5	21.9	30.5
Financial assets at fair value through profit or loss		20.0	–	20.0	–
Investments in associates at fair value through profit or loss	2	42.4	46.2	42.4	46.2
Development assets		73.6	49.8	–	–
Investments accounted for using the equity method	2,3	3,033.1	2,321.6	2,750.1	2,234.6
Investment properties	10	–	193.2	–	193.2
Intangible assets	11	114.0	114.7	–	–
Property, plant and equipment		15.1	14.4	–	–
Right-of-use assets		20.8	9.3	–	–
Total non-current assets		3,364.3	2,785.6	2,834.4	2,516.8
Total assets		4,192.6	3,284.7	3,024.1	2,658.5
Liabilities					
<i>Current liabilities</i>					
Trade and other liabilities	13	257.4	168.1	66.1	66.0
Development liabilities		5.1	1.4	–	–
Current tax liabilities		71.2	17.6	–	–
Lease liabilities		6.9	4.5	–	–
Total current liabilities		340.6	191.6	66.1	66.0
<i>Non-current liabilities</i>					
Trade and other liabilities	13	4.7	3.8	–	–
Derivative financial instruments	15	40.0	–	40.0	–
Borrowings	14	453.9	549.2	453.9	549.2
Development liabilities		15.9	–	–	–
Lease liabilities		19.5	10.7	–	–
Deferred tax liabilities	12	28.3	18.3	–	–
Total non-current liabilities		562.3	582.0	493.9	549.2
Total liabilities		902.9	773.6	560.0	615.2
Net assets		3,289.7	2,511.1	2,464.1	2,043.3
Equity					
<i>Equity holders of Charter Hall Limited</i>					
Contributed equity	16(a)	314.8	290.8	–	–
Reserves	17	(13.3)	(22.1)	–	–
Accumulated profit		524.1	199.1	–	–
Parent entity interest		825.6	467.8	–	–
<i>Equity holders of Charter Hall Property Trust</i>					
Contributed equity	16(a)	1,538.0	1,426.0	1,538.0	1,426.0
Reserves	17	3.1	(1.5)	3.1	(1.5)
Accumulated profit		879.8	481.3	879.8	481.3
Equity holders of Charter Hall Property Trust (non-controlling interest)		2,420.9	1,905.8	2,420.9	1,905.8
Other non-controlling interests	18	43.2	137.5	43.2	137.5
Total equity		3,289.7	2,511.1	2,464.1	2,043.3

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity - Charter Hall Group

For the year ended 30 June 2022

		Attributable to the owners of Charter Hall Limited					Charter Hall Group
		Contributed equity \$'m	Reserves	Accumulated profit/(losses) \$'m	Total \$'m	Non- controlling interest \$'m	Total equity \$'m
	Note						
Balance at 1 July 2020		289.1	(33.3)	108.2	364.0	1,781.7	2,145.7
Change in accounting policy		—	—	(4.8)	(4.8)	—	(4.8)
Adjusted balance at 1 July 2020		289.1	(33.3)	103.4	359.2	1,781.7	2,140.9
Profit for the year		—	—	166.3	166.3	329.3	495.6
Other comprehensive loss		—	—	—	—	(4.3)	(4.3)
Total comprehensive income		—	—	166.3	166.3	325.0	491.3
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of issue costs		—	—	—	—	58.6	58.6
Buyback and issuance of securities for exercised performance rights		(2.3)	(7.3)	—	(9.6)	(10.8)	(20.4)
Tax recognised direct to equity	6(c)	4.0	1.2	—	5.2	—	5.2
Transfer due to deferred compensation payable in service rights		—	10.3	—	10.3	—	10.3
Security-based benefit expense		—	7.0	—	7.0	—	7.0
Dividend/distribution provided for or paid	7	—	—	(70.6)	(70.6)	(110.8)	(181.4)
Transactions with non-controlling interests		—	—	—	—	(0.4)	(0.4)
		1.7	11.2	(70.6)	(57.7)	(63.4)	(121.1)
Balance at 30 June 2021		290.8	(22.1)	199.1	467.8	2,043.3	2,511.1
Balance at 1 July 2021		290.8	(22.1)	199.1	467.8	2,043.3	2,511.1
Profit for the year		—	—	407.3	407.3	519.7	927.0
Other comprehensive income		—	—	—	—	4.6	4.6
Total comprehensive income		—	—	407.3	407.3	524.3	931.6
<i>Transactions with equity holders in their capacity as equity holders:</i>							
Contributions of equity, net of issue costs		22.1	—	—	22.1	273.2	295.3
Buyback and issuance of securities for exercised performance rights		(3.7)	(9.5)	—	(13.2)	(15.2)	(28.4)
Tax recognised direct to equity	6(c)	5.6	(2.3)	—	3.3	—	3.3
Transfer due to deferred compensation payable in service rights		—	8.2	—	8.2	—	8.2
Security-based benefit expense		—	12.4	—	12.4	—	12.4
Dividend/distribution provided for or paid	7	—	—	(82.3)	(82.3)	(111.1)	(193.4)
Transactions with non-controlling interests		—	—	—	—	(0.9)	(0.9)
Loss of control of subsidiary	18	—	—	—	—	(249.5)	(249.5)
		24.0	8.8	(82.3)	(49.5)	(103.5)	(153.0)
Balance at 30 June 2022		314.8	(13.3)	524.1	825.6	2,464.1	3,289.7

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity - Charter Hall Property Trust Group

For the year ended 30 June 2022

	Note	Attributable to the owners of the Charter Hall Property Trust Group			Non- controlling interest \$'m	Total equity \$'m
		Contributed equity \$'m	Reserves	Accumulated profit/(losses) \$'m		
Balance at 1 July 2020		1,436.8	2.8	276.6	65.5	1,781.7
Profit for the year		—	—	310.5	18.8	329.3
Other comprehensive loss		—	(4.3)	—	—	(4.3)
Total comprehensive income/(loss)		—	(4.3)	310.5	18.8	325.0
<i>Transactions with equity holders in their capacity as equity holders:</i>						
Contributions of equity, net of issue costs		—	—	—	58.6	58.6
Buyback and issuance of securities for exercised performance rights		(10.8)	—	—	—	(10.8)
Dividend/distribution provided for or paid	7	—	—	(105.8)	(5.0)	(110.8)
Transactions with non-controlling interests		—	—	—	(0.4)	(0.4)
		(10.8)	—	(105.8)	53.2	(63.4)
Balance at 30 June 2021		1,426.0	(1.5)	481.3	137.5	2,043.3
Balance at 1 July 2021		1,426.0	(1.5)	481.3	137.5	2,043.3
Profit for the year		—	—	503.8	15.9	519.7
Other comprehensive income		—	4.6	—	—	4.6
Total comprehensive income		—	4.6	503.8	15.9	524.3
<i>Transactions with equity holders in their capacity as equity holders:</i>						
Contributions of equity, net of issue costs		127.2	—	—	146.0	273.2
Buyback and issuance of securities for exercised performance rights		(15.2)	—	—	—	(15.2)
Dividend/distribution provided for or paid	7	—	—	(106.1)	(5.0)	(111.1)
Transactions with non-controlling interests		—	—	—	(0.9)	(0.9)
Loss of control of subsidiary	18	—	—	0.8	(250.3)	(249.5)
		112.0	—	(105.3)	(110.2)	(103.5)
Balance at 30 June 2022		1,538.0	3.1	879.8	43.2	2,464.1

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cash flow statement

For the year ended 30 June 2022

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	2022 \$'m	2021 \$'m	2022 \$'m	2021 \$'m
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		1,186.2	700.5	10.7	28.5
Payments to suppliers and employees (inclusive of GST)		(571.6)	(497.1)	(4.1)	(10.9)
Tax paid		(112.7)	(75.1)	–	0.4
Interest received		1.8	1.0	1.0	0.1
Interest paid		(12.3)	(7.8)	(11.9)	(7.1)
Distributions and dividends from investments		112.4	104.1	99.5	98.7
Net cash inflow from operating activities	20	603.8	225.6	95.2	109.7
Cash flows from investing activities					
Payments for property, plant and equipment (net of lease incentive received)		(11.1)	(5.6)	–	–
Proceeds on disposal of investment properties		21.3	–	21.3	–
Payments for investment properties		(154.3)	(22.7)	(154.3)	(22.7)
Investments in associates, joint ventures and financial assets		(407.5)	(557.7)	(360.7)	(553.2)
Proceeds on disposal and return of capital from investments in associates and joint ventures		143.8	401.5	133.2	391.7
Loans to associates, joint ventures and related parties		–	(1.7)	(143.1)	(612.5)
Repayments of loans from associates, joint ventures and related parties		–	5.9	265.6	587.3
Proceeds from sale of DLWF net of cash		49.3	–	49.3	–
Net cash outflow from investing activities		(358.5)	(180.3)	(188.7)	(209.4)
Buy back of stapled securities		–	(20.5)	–	(16.7)
Borrowing costs paid		(1.2)	(1.7)	(2.2)	(1.7)
Proceeds from borrowings (net of borrowing costs)		126.2	269.0	126.2	269.0
Repayment of borrowings		(82.0)	(45.5)	(82.0)	(45.5)
Payment for settlement of derivatives		–	(8.3)	–	(8.3)
Principal elements of lease payments		(4.4)	(3.3)	–	(0.1)
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control		145.2	54.3	145.2	54.3
Distributions to non-controlling interests		(4.8)	(5.0)	(4.8)	(5.0)
Dividends/distributions paid to stapled securityholders		(181.5)	(171.3)	(106.8)	(87.7)
Net cash inflow/(outflow) from financing activities		(2.5)	67.7	75.6	158.3
Net increase/(decrease) in cash and cash equivalents		242.8	113.0	(17.9)	58.6
Cash and cash equivalents at the beginning of the year		351.9	238.9	71.3	12.7
Cash and cash equivalents at the end of the year		594.7	351.9	53.4	71.3

The above consolidated cash flow statements should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

For the year ended 30 June 2022

The notes to these consolidated financial statements include additional information to assist the reader in understanding the operations, performance and financial position of the Charter Hall Group and the Charter Hall Property Trust Group.

Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and judgements in the process of applying accounting policies.

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described in their respective notes:

- Note 2 Investments in associates
- Note 3 Investments in joint ventures
- Note 4 Revenue
- Note 11 Intangible assets
- Note 22(d) Valuation techniques used to derive Level 3 fair values
- Note 24 Controlled entities

The Group has assessed the ongoing impact of the COVID-19 pandemic in preparing its financial statements, considering critical estimates and judgements applied in the measurement of the Group's assets and liabilities, and impacts on its business operations.

The Group's strategic focus on resilient property investments and funds management revenue streams has contributed to the COVID-19 pandemic continuing to have no identifiable material adverse impact on the Group's financial result.

Further disclosure is included in the following notes;

- Investments in associates Note 2(b);
- Revenue Note 4(a);
- Intangibles Note 11(b); and
- Fair value measurement Note 22(d).

1 Segment information

(a) Description of segments

Charter Hall Group

The operating segments disclosed are based on the reports reviewed by the Board to make strategic decisions. The Board is responsible for allocating resources and assessing performance of the operating segments.

Operating earnings is a financial measure which represents statutory profit after tax adjusted for the items in Note 1(c). Operating earnings is the primary measure of the Group's underlying and recurring earnings. Operating earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Net operating expenses excluding costs of sales are primarily related to the Funds Management segment.

The Board has identified the following three reportable segments, the performance of which it monitors separately.

Property investments

This segment comprises investments in property funds.

Development investments

This segment comprises investments in developments.

Funds management

This segment comprises investment management services and property management services.

Charter Hall Property Trust Group

The Board allocates resources and assesses the performance of operating segments for the entire Charter Hall Group. Results are not separately identified and reported according to the legal structure of the Charter Hall Group and therefore segment information for CHPT is not prepared or provided to the Board.

1 Segment information continued

(b) Operating segments

The operating segments reported to the Board for the year ended 30 June 2022 are as follows:

	2022 \$'m	2021 \$'m
Property investment segment earnings	142.9	123.0
<i>Development Investment</i>		
Development investment revenue	326.3	275.2
Development costs	(299.0)	(245.5)
Other	8.2	4.5
Total development investment segment earnings	35.5	34.2
<i>Funds management</i>		
Investment management revenue	627.2	254.6
Property services revenue	75.8	64.9
Total funds management segment revenue	703.0	319.5
Total segment income	881.4	476.7
Net operating expenses	(109.8)	(85.3)
Corporate expenses	(41.1)	(29.8)
EBITDA	730.5	361.6
Depreciation	(8.8)	(7.8)
Net interest expense	(12.7)	(8.4)
Operating earnings before tax	709.0	345.4
Income tax expense	(166.2)	(61.1)
Operating earnings attributable to stapled securityholders	542.8	284.3
Basic weighted average number of securities ('m)	469.4	465.8
Operating earnings per stapled security (cents)	115.6	61.0

Refer to Note 8 for statutory earnings per stapled security figures.

(c) The reconciliation of operating earnings to statutory profit after tax attributable to stapled securityholders is shown below:

	2022 \$'m	2021 \$'m
Operating earnings attributable to stapled securityholders	542.8	284.3
Add: Net fair value movements from investment properties on equity accounted investments ¹	355.9	228.0
Add: Net gain/(loss) on disposal of property investments ¹	0.3	0.5
Less: Non-operating income tax benefit/(expense)	(13.1)	(1.5)
Less: Realised and unrealised net gains/(losses) on derivatives ¹	70.1	7.2
Less: Impairment of equity accounted investments	(18.5)	(6.9)
Less: Performance fees expense ¹	(14.4)	(15.9)
Less: Non-operating pursuit recoveries/(costs)	1.4	(4.6)
Less: Amortisation of intangibles	(0.7)	(1.5)
Less: Other ¹	(12.7)	(12.8)
Statutory profit after tax attributable to stapled securityholders	911.1	476.8

¹ Includes the Group's proportionate share of non-operating items of equity accounted investments on a look through basis.

1 Segment information continued

(d) Reconciliation of earnings from the property and development investment segments to the share of net profit of equity accounted investments

	2022 \$'m	2021 \$'m
Segment earnings – property investments	142.9	123.0
Segment earnings – development investments	35.5	34.2
Segment earnings - funds management	13.3	–
	191.7	157.2
Add: Non-operating equity accounted profit	385.9	191.9
Less: Development profit	(27.3)	(29.7)
Less: Net rental income	(1.6)	(3.5)
Less: Interest income on development investments	(0.7)	(1.0)
Less: Distributions in operating income	(3.1)	(0.9)
Share of net profit of investments accounted for using the equity method	544.9	314.0

(e) Reconciliation of funds management earnings stated above to revenue per the statement of comprehensive income

	2022 \$'m	2021 \$'m
Investment management revenue	627.2	254.6
Property services revenue	75.8	64.9
Segment revenue – funds management	703.0	319.5
Add: recovery of property and fund-related expenses	67.6	57.5
Add: development revenue	326.3	275.2
Add: rental income	9.7	12.9
Add: interest income	1.7	2.0
Add: distributions received for investments accounted for at fair value	3.3	0.9
Less: share of associates equity accounted profit	(13.3)	–
Revenue per statement of comprehensive income	1,098.3	668.0

Geographical segments are immaterial as the vast majority of the Group's income is from Australian sources. Assets and liabilities have not been reported on a segmented basis as the Board is focused on the consolidated balance sheet.

2 Investment in associates

(a) Carrying amounts

All associates are incorporated and operate in Australia. Refer to Note 32(c) for accounting policy information relating to associates.

		Ownership interest		Carrying amount	
Charter Hall Group		2022	2021	2022	2021
Name of entity	Principal activity	%	%	\$'m	\$'m
Accounted for at fair value through profit or loss:¹					
<i>Unlisted</i>					
Charter Hall Maxim Property Securities Fund	Property investment	12.0	12.5	23.6	27.3
CH Deep Value AREIT Partnership Trust	Property investment	13.9	9.0	16.4	18.5
Other associates				2.4	0.4
				42.4	46.2
Equity accounted					
<i>Unlisted</i>					
Charter Hall Prime Office Fund	Property investment	5.1	5.1	325.6	270.6
Charter Hall Office Trust ²	Property investment	15.7	15.7	311.2	270.8
Charter Hall Prime Industrial Fund	Property investment	1.4	1.8	120.3	118.8
Core Logistics Partnership	Property investment	3.6	4.8	65.3	76.2
Charter Hall Exchange Wholesale Trust	Property investment	4.5	13.9	24.8	59.4
Charter Hall AP Fund	Property investment	–	5.0	–	39.7
Deep Value Partnership	Property investment	10.0	11.5	49.8	49.0
Charter Hall Direct PFA Fund	Property investment	12.2	7.9	205.5	104.0
Charter Hall Direct Office Fund	Property investment	8.7	7.7	183.7	141.1
Other associates				57.7	63.2
<i>Listed</i>					
Charter Hall Retail REIT ³	Property investment	10.7	10.6	300.6	238.5
Charter Hall Long WALE REIT ⁴	Property investment	10.7	11.3	470.7	369.7
Charter Hall Social Infrastructure REIT ⁵	Property investment	8.7	8.8	126.4	98.9
				2,241.6	1,899.9
Total investments in associates				2,284.0	1,946.1

1 These investments comprise units in certain unlisted Charter Hall managed funds which have been designated at fair value through profit or loss. Changes in fair values of investments in associates at fair value through profit or loss are recorded in fair value adjustments in the consolidated statement of comprehensive income. Information about the Charter Hall Group's material exposure to share and unit price risk is provided in Note 21.

2 The entity has a 31 December balance date.

3 Fair value at the ASX closing price as at 30 June 2022 was \$234.1 million (30 June 2021: \$230.3 million).

4 Fair value at the ASX closing price as at 30 June 2022 was \$329.6 million (30 June 2021: \$335.8 million).

5 Fair value at the ASX closing price as at 30 June 2022 was \$108.0 million (30 June 2021: \$111.2 million).

2 Investment in associates continued

		Ownership interest		Carrying amount	
Charter Hall Property Trust Group		2022	2021	2022	2021
Name of entity	Principal activity	%	%	\$'m	\$'m
Accounted for at fair value through profit or loss:¹					
<i>Unlisted</i>					
Charter Hall Maxim Property Securities Fund	Property investment	12.0	12.5	23.6	27.3
CH Deep Value AREIT Partnership Trust	Property investment	13.9	9.0	16.4	18.5
Other associates				2.4	0.4
				42.4	46.2
Equity accounted					
<i>Unlisted</i>					
Charter Hall Prime Office Fund	Property investment	5.1	4.8	325.6	254.0
Charter Hall Office Trust ²	Property investment	15.7	15.7	311.2	270.8
Core Logistics Partnership	Property investment	3.6	4.8	65.3	76.2
Charter Hall Exchange Wholesale Trust	Property investment	4.5	13.9	24.8	59.4
Charter Hall AP Fund	Property investment	—	5.0	—	39.7
Charter Hall Prime Industrial Fund	Property investment	0.3	0.6	24.9	37.3
Deep Value Partnership	Property investment	10.0	11.5	49.8	49.0
Charter Hall Direct PFA Fund	Property investment	12.2	7.9	205.5	104.0
Charter Hall Direct Office Fund	Property investment	8.7	7.7	183.7	141.1
Other associates				67.5	67.4
<i>Listed</i>					
Charter Hall Retail REIT ³	Property investment	10.7	10.6	300.6	238.5
Charter Hall Long WALE REIT ⁴	Property investment	10.7	11.3	470.7	369.7
Charter Hall Social Infrastructure REIT ⁵	Property investment	8.7	8.8	151.3	123.8
				2,180.9	1,830.9
Total investments in associates				2,223.3	1,877.1

1 These investments comprise units in certain unlisted Charter Hall managed funds which have been designated at fair value through profit or loss. Changes in fair values of investments in associates at fair value through profit or loss are recorded in fair value adjustments in the consolidated statement of comprehensive income. Information about the Charter Hall Property Trust Group's material exposure to share and unit price risk is provided in Note 21.

2 The entity has a 31 December balance date.

3 Fair value at the ASX closing price as at 30 June 2022 was \$234.1 million (30 June 2021: \$230.3 million).

4 Fair value at the ASX closing price as at 30 June 2022 was \$329.6 million (30 June 2021: \$335.8 million).

5 Fair value at the ASX closing price as at 30 June 2022 was \$108.0 million (30 June 2021: \$111.2 million).

(b) Critical judgements

Investments in associates are accounted for at either fair value through profit or loss or by using the equity method. The Group designates investments in associates as fair value through profit or loss or equity accounted on a case by case basis taking the investment strategy into consideration.

Management regularly reviews equity accounted investments for impairment and remeasures investments carried at fair value through profit or loss by reference to changes in circumstances or contractual arrangements, external independent property valuations and market conditions, using generally accepted market practices. When a recoverable amount is estimated through a value in use calculation, critical judgements and estimates are made regarding future cash flows and an appropriate discount rate. When a fair value is estimated through an earnings valuation, critical judgements and estimates are made in relation to the earnings measure and appropriate multiple.

Due to the difference in the fair value and carrying amounts, the recoverable amounts for the Charter Hall Long WALE REIT (CLW), Charter Hall Retail REIT (CQR) and Charter Hall Social Infrastructure REIT (CQE) investments were estimated through a value in use calculation. This calculation was performed using the share of the present value of the estimated future cash flows expected to be generated by the associate and used the following assumptions:

- base case cash flow projections covering a 10 year period based on executed lease agreements, CPI estimates and estimated net market rents;
- weighted average investment property discount rates of 5.7% - 6.4%; and
- investment property terminal values calculated using capitalisation rates of 4.6% - 5.7%.

External valuation support for the Investment Property carrying values of underlying listed funds was obtained for more than 94% of the gross asset values on a look-through basis.

As a result of these estimates, no impairment was recorded.

2 Investment in associates continued

If the terminal capitalisation rate assumptions were to increase by 50bps, value in use would decrease by 5-8%.

If the terminal capitalisation rate assumptions were to decrease by 50bps, value in use would increase by 6-9%.

With the potential and uncertain economic impacts of COVID-19, future equity accounted investment values are sensitive to future property valuations of the underlying investment properties, and could be adversely impacted. The impacts of the estimates and assumptions for investments in associates are outlined in Note 22(d).

(c) Summarised movements in carrying amounts of associates accounted for at fair value through profit or loss

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Opening balance	46.2	25.9	46.2	25.9
Investment	20.6	10.0	20.6	10.0
Net gain/(loss) on investment in associates at fair value	(9.8)	10.3	(9.8)	10.3
Return of capital	(14.6)	–	(14.6)	–
Closing balance	42.4	46.2	42.4	46.2

(d) Summarised movements in carrying amounts of equity accounted associates

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Opening balance	1,899.9	1,548.6	1,830.9	1,486.9
Investment	311.0	404.2	311.0	404.2
Share of profit after income tax	419.1	263.8	404.7	249.1
Distributions received/receivable	(108.9)	(92.0)	(104.5)	(85.3)
Share of movement in reserves	–	(0.6)	–	(0.6)
Impairment of carrying amount	–	(6.9)	–	(6.9)
Divestments	(279.5)	(183.8)	(261.2)	(183.1)
Return of Capital	–	(33.4)	–	(33.4)
Closing balance	2,241.6	1,899.9	2,180.9	1,830.9

2 Investment in associates continued

(e) Summarised financial information for material associates

The tables below provide summarised financial information for the associates that are material to CHC and CHPT. Materiality is assessed on the investments' contribution to Group income and net assets. The information presented reflects the amounts in the financial statements of the associates, not the Group's proportionate share.

	Charter Hall Office Trust \$'m	Charter Hall Retail REIT \$'m	Charter Hall Prime Office Fund \$'m	Charter Hall Long WALE REIT \$'m
2022				
Summarised balance sheet:				
Current assets	34.5	60.6	1,126.5	50.5
Non-current assets	3,841.8	3,984.5	6,672.2	6,431.5
Current liabilities	73.9	121.2	120.5	86.1
Non-current liabilities	1,818.2	1,069.3	1,251.9	1,937.7
Net assets	1,984.2	2,854.6	6,426.3	4,458.2
Summarised statement of comprehensive income:				
Revenue	90.5	215.7	336.9	219.7
Profit for the year from continuing operations	339.5	663.6	715.9	911.9
Other comprehensive income/(loss)	–	1.1	6.3	(5.5)
Total comprehensive income	339.5	664.7	722.2	906.4
2021				
Summarised balance sheet:				
Current assets	50.6	46.9	419.7	113.2
Non-current assets	3,409.0	3,294.1	6,537.4	4,574.2
Current liabilities	51.0	113.8	117.2	71.4
Non-current liabilities	1,688.9	922.0	1,504.0	1,336.9
Net assets	1,719.7	2,305.2	5,335.9	3,279.1
Summarised statement of comprehensive income:				
Revenue	100.0	191.6	345.4	154.6
Profit for the year from continuing operations	151.8	291.2	527.8	618.3
Other comprehensive loss	–	(5.9)	(4.6)	(0.4)
Total comprehensive income	151.8	285.3	523.2	617.9

2 Investment in associates continued

(f) Reconciliation of net assets of associates to carrying amounts of equity accounted investments

	Charter Hall Office Trust \$'m	Charter Hall Retail REIT \$'m	Charter Hall Prime Office Fund \$'m	Charter Hall Long WALE REIT \$'m
Charter Hall Group				
2022				
Net assets of associate	1,984.2	2,854.6	6,426.3	4,458.2
Group's share in %	15.7%	10.7%	5.1%	10.7%
Group's share in \$	311.5	305.4	327.7	477.0
Other movements not accounted for under the equity method ¹	(0.3)	(4.8)	(2.1)	(6.3)
Carrying amount	311.2	300.6	325.6	470.7
Movements in carrying amounts:				
Opening balance	270.8	238.5	270.6	369.7
Investment	–	5.7	65.9	37.0
Share of profit after income tax	53.5	71.1	38.4	100.9
Other comprehensive income/(loss)	–	(0.2)	0.1	(0.6)
Distributions received/receivable	(13.1)	(14.5)	(12.9)	(22.9)
Divestment	–	–	(36.5)	(13.4)
Closing balance	311.2	300.6	325.6	470.7
2021				
Net assets of associate	1,719.7	2,305.2	5,335.9	3,279.1
Group's share in %	15.7%	10.6%	5.1%	11.3%
Group's share in \$	270.0	244.4	272.1	370.5
Other movements not accounted for under the equity method ¹	0.8	(5.9)	(1.5)	(0.8)
Carrying amount	270.8	238.5	270.6	369.7
Movements in carrying amounts:				
Opening balance	293.5	207.9	312.9	271.4
Investment	–	15.1	9.8	53.6
Share of profit after income tax	23.8	29.8	29.1	70.8
Other comprehensive income/(loss)	–	(0.4)	(0.3)	0.1
Impairment of carrying amount	–	–	–	(6.9)
Distributions received/receivable	(13.1)	(13.8)	(14.4)	(18.8)
Divestment	–	(0.1)	(66.5)	(0.5)
Return of capital	(33.4)	–	–	–
Closing balance	270.8	238.5	270.6	369.7

¹ Other movements are primarily due to the funds issuing new units to external investors at a price above or below the underlying net assets of the fund, or where the Group has acquired units on-market at a price different to the fund's NTA (for listed investments), or where the Group has recorded an impairment to the investment in associate.

2 Investment in associates continued

	Charter Hall Office Trust \$'m	Charter Hall Retail REIT \$'m	Charter Hall Prime Office Fund \$'m	Charter Hall Long WALE REIT \$'m
Charter Hall Property Trust Group				
2022				
Net assets of associate	1,984.2	2,854.6	6,426.3	4,458.2
Group's share in %	15.7%	10.7%	5.1%	10.7%
Group's share in \$	311.5	305.4	327.7	477.0
Other movements not accounted for under the equity method ¹	(0.3)	(4.8)	(2.1)	(6.3)
Carrying amount	311.2	300.6	325.6	470.7
Movements in carrying amounts:				
Opening balance	270.8	238.5	254.0	369.7
Investment	–	5.7	65.9	37.0
Share of profit after income tax	53.5	71.1	38.3	100.9
Other comprehensive income/(loss)	–	(0.2)	0.1	(0.6)
Distributions received/receivable	(13.1)	(14.5)	(12.8)	(22.9)
Divestment	–	–	(19.9)	(13.4)
Closing balance	311.2	300.6	325.6	470.7
2021				
Net assets of associate	1,719.7	2,305.2	5,335.9	3,279.1
Group's share in %	15.7%	10.6%	4.8%	11.3%
Group's share in \$	270.0	244.4	256.1	370.5
Other movements not accounted for under the equity method ¹	0.8	(5.9)	(2.1)	(0.8)
Carrying amount	270.8	238.5	254.0	369.7
Movements in carrying amounts:				
Opening balance	293.5	207.9	297.1	271.4
Investment	–	15.1	9.8	53.6
Share of profit after income tax	23.8	29.8	27.4	70.8
Other comprehensive income/(loss)	–	(0.4)	(0.2)	0.1
Impairment of carrying amount	–	–	–	(6.9)
Distributions received/receivable	(13.1)	(13.8)	(13.6)	(18.8)
Divestment	–	(0.1)	–	(0.5)
Return of capital	(33.4)	–	(66.5)	–
Closing balance	270.8	238.5	254.0	369.7

¹ Other movements are primarily due to the funds issuing new units to external investors at a price above or below the underlying net assets of the fund, or where the Group has acquired units on-market at a price different to the fund's NTA (for listed investments), or where the Group has recorded an impairment to the investment in associate.

(g) Commitments and contingent liabilities of associates

Below are commitments and contingent liabilities of associates material to the Group's balance sheet.

Charter Hall Prime Office Fund's capital expenditure contracted for at the reporting date but not recognised as liabilities was \$807.9 million (2021: \$602.6 million) relating to investment properties and development commitments.

Charter Hall Office Trust's (CHOT) capital expenditure contracted for at the reporting date but not recognised as liabilities was \$54.3 million (2021: \$187.9 million) relating to investment properties and development commitments.

3 Investments in joint ventures

(a) Carrying amounts

All joint ventures are incorporated and operate in Australia. Refer to Note 32(c) for accounting policy information relating to joint ventures.

Unless otherwise noted all joint ventures have a 30 June year end.

		Ownership interest		Carrying amount	
Charter Hall Group		2022	2021	2022	2021
Name of entity	Principal activity	%	%	\$'m	\$'m
Equity accounted					
<i>Unlisted</i>					
Brisbane Square Wholesale Fund	Property investment	16.8	16.8	126.7	102.4
Long WALE Hardware Partnership ¹	Property investment	15.7	14.1	239.9	167.4
Charter Hall PGGM Industrial Partnership	Property investment	12.0	12.0	45.9	25.7
CH DJ Trust	Property investment	43.2	50.0	80.4	73.6
Paradise Investment Management	Funds management	50.0	—	206.2	—
Other joint ventures				92.4	52.6
Total investments in joint ventures				791.5	421.7

1 Ownership interest is calculated as the weighted average holding of BP Fund 1 and BP Fund 2.

		Ownership interest		Carrying amount	
Charter Hall Property Trust Group		2022	2021	2022	2021
Name of entity	Principal activity	%	%	\$'m	\$'m
Equity accounted					
<i>Unlisted</i>					
Brisbane Square Wholesale Fund	Property investment	16.8	16.8	126.7	102.4
Long WALE Hardware Partnership ¹	Property investment	15.7	14.1	239.9	167.4
Charter Hall PGGM Industrial Partnership	Property investment	12.0	12.0	45.9	25.7
CH DJ Trust	Property investment	43.2	50.0	80.4	73.6
Other joint ventures				76.3	34.6
Total investments in joint ventures				569.2	403.7

1 Ownership interest is calculated as the weighted average holding of BP Fund 1 and BP Fund 2.

(b) Critical judgements

Investments in joint ventures are accounted for at either fair value through profit or loss or by using the equity method. The Group designates investments in joint ventures as fair value through profit or loss or equity accounted on a case by case basis taking the investment strategy into consideration.

Management regularly reviews equity accounted investments for impairment and remeasures investments carried at fair value through profit or loss by reference to changes in circumstances or contractual arrangements, external independent property valuations and market conditions, using generally accepted market practices. When a recoverable amount is estimated through a value in use calculation, critical judgements and estimates are made regarding future cash flows and an appropriate discount rate. When a fair value is estimated through an earnings valuation, critical judgements and estimates are made in relation to the earnings measure and appropriate multiple.

The recoverable amount for the Paradise Investment Management (PIM) investment was estimated through a value in use calculation with the following critical judgements and estimates:

- base case cash flow projections covering a 5 year period based on the current value of funds under management, current fee agreements and long term growth rates;
- pre-tax discount rate of 15.3%; and
- growth after 5 years of 2.5% per annum.

As a result of these estimates, impairment of \$18.5m was recorded for Paradise Investment Management in FY22.

If the discount rate was to increase/decrease by 50bp, value in use would decrease/increase by 4%.

3 Investments in joint ventures continued

(c) Summarised financial information and movements in carrying amounts

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Movements in aggregate carrying amount:				
Opening balance	421.7	326.8	403.7	306.6
Investment	316.3	148.6	106.6	145.6
Share of profit after income tax	125.8	50.2	104.5	48.0
Distributions received/receivable	(30.5)	(22.9)	(22.5)	(22.9)
Impairment of carrying amount	(18.5)	—	—	—
Return of capital	(23.3)	(81.0)	(23.1)	(73.6)
Closing balance	791.5	421.7	569.2	403.7

(d) Commitments and contingent liabilities of joint ventures

There are no commitments and contingent liabilities of joint ventures material to the Group's balance sheet.

4 Revenue

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Investment management revenue ¹	613.9	254.6	–	–
Property services revenue ¹	75.8	64.9	–	0.1
Development revenue ²	326.3	275.2	–	–
Gross rental income	9.7	12.9	9.6	12.9
	1,025.7	607.6	9.6	13.0
<i>Other revenue</i>				
Recovery of property and fund-related expenses	67.6	57.5	–	–
Interest	1.7	2.0	0.2	2.0
Distributions/Dividends ³	3.3	0.9	3.3	1.0
Other investment-related revenue	–	–	15.0	10.7
Total other revenue	72.6	60.4	18.5	13.7
Total revenue⁴	1,098.3	668.0	28.1	26.7

1 Revenue from the Group's property and funds management business is categorised into the two main lines of operations being investment management and property services.

2 Revenue from the Group's development investments forms part of the development segment earnings.

3 Represents the distribution of income from investments accounted for at fair value by the Group and Charter Hall Property Trust Group.

4 Revenue excludes share of net profits of equity accounted associates and joint ventures.

(a) Critical judgements

Critical judgements and estimates are made by the Group in respect of recognising performance fee revenue. Detailed calculations and an assessment of the risks associated with the recognition of the fee are completed to inform the assessment of the appropriate revenue to recognise. Key risks include the period remaining from balance sheet date to performance fee crystallisation date and the degree of probability that any potential fee may unwind during that period. Key drivers of performance fees are assessed based on historic data and prevailing economic conditions to inform judgements on the extent to which the fee can be reliably estimated.

Critical judgements are also made by the Group in respect of recognising development revenue. Detailed forecasts of total development costs are inputs that are used to estimate the satisfaction of the development performance obligation over time.

5 Expenses

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Profit before income tax includes the following specific expenses:				
<i>Employee costs</i>				
Employee benefit expenses	160.2	133.7	–	–
Security-based benefits expense	12.4	6.8	–	–
Payroll tax	8.9	7.5	–	–
Total employee costs	181.5	148.0	–	–
<i>Administration and other expenses</i>				
Advertising, marketing and promotion	6.4	3.7	–	–
Occupancy costs	2.0	2.0	–	–
Accounting, professional and other costs	8.2	10.7	4.9	4.8
Communication and IT expenses	11.6	8.9	–	–
Administration expenses	9.0	5.7	1.9	2.6
Total administration and other expenses	37.2	31.0	6.8	7.4
<i>Depreciation, amortisation and impairment</i>				
Depreciation	8.4	7.8	–	–
Amortisation	0.7	1.5	–	–
Impairment	18.5	6.9	–	6.9
Total depreciation, amortisation and impairment	27.6	16.2	–	6.9

6 Income tax expense

	Note	Charter Hall Group 2022 \$'m	2021 \$'m	Charter Hall Property Trust Group 2022 \$'m	2021 \$'m
(a) Income tax expense					
Current tax expense		171.7	57.8	–	–
Deferred income tax expense		7.5	4.9	–	–
Over/(under)-provided in prior years		0.2	(0.1)	–	–
		179.4	62.6	–	–
Deferred income tax expense					
(Increase)/decrease in deferred tax assets for the tax consolidated group		(1.5)	(2.1)	–	–
Increase in deferred tax liabilities for the tax consolidated group		9.0	5.5	–	–
Decrease in deferred tax assets for entities outside the tax consolidated group		–	1.5	–	–
		7.5	4.9	–	–
(b) Reconciliation of income tax expense to prima facie tax payable					
Profit before income tax expense		1,106.4	558.2	519.7	329.3
Prima facie tax expense at the Australian tax rate of 30%		331.9	167.5	155.9	98.8
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>					
Charter Hall Property Trust profit		(155.9)	(98.8)	(155.9)	(98.8)
Recognition of previously unrecognised tax losses		–	(7.7)	–	–
Other adjustments		3.4	1.6	–	–
Income tax expense		179.4	62.6	–	–
(c) Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:					
Current tax: Deduction for rights vesting in excess of the cumulative fair value expense		(5.6)	(4.0)	–	–
Deferred tax: Estimated future deduction for rights vesting, in excess of the cumulative fair value expense		2.3	(1.2)	–	–
		(3.3)	(5.2)	–	–

(d) Tax consolidation legislation

Charter Hall Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation with effect from 1 July 2003. The accounting policy in relation to this legislation is set out below in Note 6(g).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Charter Hall Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Charter Hall Limited for any current tax payable assumed and are compensated by Charter Hall Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Charter Hall Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

(e) Charter Hall Property Trust

Under current Australian income tax legislation, the Trust is not liable for income tax on its taxable income (including any assessable component of capital gains) provided that the unitholders are presently entitled to the income of the Trust.

(f) Tax losses – Charter Hall Group

At 30 June 2022, the Group has approximately \$18.9 million (2021: \$22.9 million) of tax effected unrecognised capital tax losses.

6 Income tax expense continued

(g) Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provision, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

7 Distributions/Dividends paid and payable

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Ordinary stapled securities				
Final ordinary distribution of 11.27 cents and ordinary dividend of 9.2 cents per stapled security for the six months ended 30 June 2022 payable on 31 August 2022	96.8	—	53.3	—
Interim ordinary distribution of 11.33 cents and interim ordinary dividend of 8.33 cents per stapled security for the six months ended 31 December 2021 paid on 28 February 2022	91.6	—	52.8	—
Final ordinary distribution of 11.61 cents and ordinary dividend of 7.7 cents per stapled security for the six months ended 30 June 2021 paid on 31 August 2021	—	90.0	—	54.1
Interim ordinary distribution of 11.1 cents and interim ordinary dividend of 7.45 cents per stapled security for the six months ended 31 December 2020 paid on 26 February 2021	—	86.4	—	51.7
Total Distributions/Dividends paid and payable to stapled securityholders	188.4	176.4	106.1	105.8
Distributions paid and payable to other non-controlling interests	5.0	5.0	5.0	5.0
Total Distributions/Dividends paid and payable	193.4	181.4	111.1	110.8

A liability is recognised for the amount of any distribution/dividend declared by the Group on or before the end of the reporting period but not paid at balance date.

Franking credits available in the parent entity (Charter Hall Limited) for dividends payable in subsequent financial years based on a tax rate of 30% (2021: 30%) are \$256.1 million (2021: \$137.1 million). These amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

8 Earnings per stapled security

	Charter Hall Group		Charter Hall Property Trust Group	
	2022 Cents	2021 Cents	2022 Cents	2021 Cents
(a) Basic earnings per security attributable to:				
Equity holders of Charter Hall Limited	86.8	35.7	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	107.3	66.7	107.3	66.7
Stapled securityholders of Charter Hall Group	194.1	102.4	n/a	n/a
(b) Diluted earnings per security attributable to:				
Equity holders of Charter Hall Limited	85.4	35.4	n/a	n/a
Equity holders of Charter Hall Property Trust (non-controlling interest)	105.6	66.1	105.6	66.1
Stapled securityholders of Charter Hall Group	191.0	101.5	n/a	n/a

Basic earnings per stapled security is determined by dividing profit attributable to the stapled security holders by the weighted number of ordinary stapled securities on issue during the year.

Diluted earnings per stapled security is determined by dividing profit attributable to the stapled securityholders by the weighted average number of ordinary stapled securities and dilutive potential ordinary stapled securities on issue during the year.

	2022 \$'m	2021 \$'m	2022 \$'m	2021 \$'m
(c) Reconciliations of earnings used in calculating earnings per stapled security				
Equity holders of Charter Hall Limited	407.3	166.3	n/a	n/a
Profit attributable to the ordinary stapled securityholders of the Group used in calculating basic and diluted earnings per stapled security	911.1	476.8	503.8	310.5

	2022 Number	2021 Number	2022 Number	2021 Number
(d) Weighted average number of stapled securities used as the denominator				
Weighted average number of ordinary stapled securities used as the denominator in calculating basic earnings per stapled security	469,397,056	465,777,131	469,397,056	465,777,131
Adjustments for calculation of diluted earnings per stapled security:				
Performance rights	6,104,168	2,313,656	6,104,168	2,313,656
Service rights	1,561,476	1,683,436	1,561,476	1,683,436
Weighted average number of ordinary stapled securities and potential ordinary stapled securities used as the denominator in calculating diluted earnings per stapled security	477,062,700	469,774,223	477,062,700	469,774,223

(e) Information concerning the classification of securities

Performance rights, service rights issued under the Charter Hall Performance Rights and Options Plan

The performance and service rights are unquoted securities. Conversion to stapled securities and vesting to executives is subject to performance and/or service conditions.

Stapled securities issued under the General Employee Securities Plan (GESP)

Stapled securities issued under the GESP are purchased on market on behalf of eligible employees but held in trust until the earlier of the completion of three years' service or termination. No adjustment to diluted earnings per stapled security is required under the GESP.

9 Receivables and other assets

		Charter Hall Group		Charter Hall Property Trust Group	
	Note	2022 \$'m	2021 \$'m	2022 \$'m	2021 \$'m
Current					
Trade receivables		61.2	59.4	17.7	6.6
Contract assets		7.9	6.7	–	–
Loans to associates and joint ventures	23(e)	–	4.3	–	–
Distributions receivable		36.2	35.4	35.4	34.1
Other receivables and assets		10.1	13.5	–	2.2
		115.4	119.3	53.1	42.9
Non-current					
Loans to associates and joint ventures	23(e)	3.4	5.8	–	–
Loan receivable from Charter Hall Limited	23(e)	–	–	–	12.3
Other receivables and assets		–	0.1	–	–
		3.4	5.9	–	12.3

(a) Bad and doubtful trade receivables

During the year, the Charter Hall Group and Charter Hall Property Trust Group incurred \$nil expense (2021: \$nil) in respect of provisions for expected credit losses.

(b) Fair values

Receivables are carried at amounts that approximate their fair value.

(c) Credit risk

There is a limited concentration of credit risk as the majority of current and non-current receivables are due from related parties of Charter Hall Group and Charter Hall Property Trust Group. Refer to Note 21 for more information on the risk management policy of the Charter Hall Group and Charter Hall Property Trust Group.

The ageing of trade receivables at the reporting date was as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	2022 \$'m	2021 \$'m	2022 \$'m	2021 \$'m
Current	61.0	58.4	17.7	6.6
1 to 3 months	0.2	1.0	–	–
3 to 6 months	–	–	–	–
More than 6 months	–	–	–	–
	61.2	59.4	17.7	6.6

As at 30 June 2022, Charter Hall Group had trade receivables of \$nil (2021: \$nil) past due but not impaired. Charter Hall Property Trust Group had \$nil (2021: \$nil) receivables past due but not impaired.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in the year in which they are identified. A provision for expected credit losses is processed based on historical default percentages and current observable data including forecasts of economic conditions. The amount of the provision is the difference between the carrying amount and estimated future cash flows. Cash flows relating to current receivables are not discounted.

10 Investment properties

(a) Carrying amounts

During the year, the Group disposed of its investment in Charter Hall Direct Long WALE Fund (DLWF), which had a portfolio of investment properties which were consolidated into the Group's balance sheet.

A reconciliation of the carrying amount of investment properties at the beginning and end of the year is set out below:

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Opening balance	193.2	173.8	193.2	173.8
Additions including acquisition costs	154.4	22.1	154.4	22.1
Fair value and other adjustments	12.7	20.4	12.7	20.4
Reclass to assets held for sale	–	(23.1)	–	(23.1)
Derecognition on disposal of DLWF	(360.3)	–	(360.3)	–
Closing balance	–	193.2	–	193.2

11 Intangible assets

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Indefinite life intangibles – management rights				
Charter Hall Retail REIT	42.3	42.3	–	–
Charter Hall Social Infrastructure REIT	46.4	46.4	–	–
Other indefinite life intangibles	12.6	15.3	–	–
Disposals	–	(2.7)	–	–
Total closing indefinite life intangibles	101.3	101.3	–	–
Finite life intangibles – management rights				
Opening balance	3.5	5.0	–	–
Amortisation charge	(0.7)	(1.5)	–	–
Closing balance	2.8	3.5	–	–
At balance date – finite life intangibles				
Cost	58.5	58.5	–	–
Accumulated amortisation	(55.7)	(55.0)	–	–
Total finite life intangibles	2.8	3.5	–	–
Goodwill				
Opening and closing balance	9.9	9.9	–	–
Total intangible assets	114.0	114.7	–	–

(a) Critical judgements

Critical judgements and estimates are made by the Group in assessing the recoverable amount of intangibles acquired, where the funds to which those intangibles relate have an indefinite life. Intangibles are considered to have an indefinite useful life if there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

(b) Intangibles – indefinite life assets

Intangibles with no fixed life are not amortised as they have an indefinite life. Intangibles with an indefinite life are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired; and are carried at cost less accumulated impairment losses. Intangibles are allocated to cash generating units for the purpose of impairment testing.

All indefinite life intangible assets recognised on the consolidated balance sheet are subject to an annual impairment assessment. The impairment assessments support the carrying values and the methodology applied is an assessment of value in use based on discounted cash flows.

Key assumptions used for the indefinite life intangible impairment calculations are as follows:

- cash flow projections were used; applying probability weightings based on historical market guidance accuracy;
- base case cash flow projections covering a 5 year period based on financial budgets approved by management. Cash flows beyond the 5 year period are extrapolated using estimated growth rates appropriate for the business;
- pre-tax discount rate of 12.5% (2021: 12.5%);
- growth after three years of 2.0% (2021: 2.0%) per annum; and
- terminal value multiple of 10 times earnings (2021: 10 times).

With the potential and uncertain economic impacts of COVID-19, future property valuations, cash flow projections, and estimates of recoverable amounts could be adversely impacted.

(c) Management Rights – finite life assets

Management rights with a fixed life are amortised using the straight line method over their useful life ranging from one to ten years.

12 Deferred tax assets and liabilities

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Deferred tax assets comprises temporary differences attributable to:				
Employee benefits	22.7	24.8	–	–
Other	7.2	6.0	–	–
	29.9	30.8	–	–
Deferred tax liabilities comprises temporary differences attributable to:				
Intangible assets	29.7	29.9	–	–
Investment in associates	18.5	16.4	–	–
Share purchase option	6.0	–	–	–
Other	4.0	2.8	–	–
	58.2	49.1	–	–
Net deferred tax liabilities	(28.3)	(18.3)	–	–

13 Trade and other liabilities

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Current				
Trade and other liabilities	108.4	35.1	12.7	11.9
Long service leave provision	3.3	2.7	0.1	–
Dividend/Distribution payable	96.8	90.0	53.3	54.1
Employee benefits liability	48.9	40.3	–	–
	257.4	168.1	66.1	66.0
Non-current				
Long service leave provision	3.0	2.5	–	–
Lease incentive liability	1.7	1.3	–	–
	4.7	3.8	–	–

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due or expected to be settled within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

14 Borrowings

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Non-current liabilities				
US Private Placement Notes	250.4	259.3	250.4	259.3
Borrowings (DLWF)	–	40.0	–	40.0
Medium term notes	206.5	253.5	206.5	253.5
Less: unamortised transaction costs	(3.0)	(3.6)	(3.0)	(3.6)
	453.9	549.2	453.9	549.2

(a) Borrowings

Charter Hall Group

The Group's debt platform includes the following:

- An unsecured \$200.0 million (2021: \$200.0 million) borrowings plus an additional \$30.0 million (2021: \$30.0 million) unsecured facility to support the issuance of bank guarantees with maturity in May 2026. At 30 June 2022, drawn borrowings of \$nil (2021: \$nil) and issuance of bank guarantees of \$23.3 million (2021: \$22.6 million) had been utilised under these facilities, which under the terms of the agreements reduce the available facilities. No liability is recognised for bank guarantees.
- US\$175 million (A\$231.5 million at issue date) unsecured notes issued through a US Private Placement which was fully funded in August 2018 and matures in August 2028.
 - The Group has entered into A\$/US\$ cross currency interest rate swap agreements that hedge the Group's exposure to foreign currency. The swap agreements entitle the Group to repay the notes at A\$231.5 million in August 2028. At 30 June 2022, the carrying amount of the notes at the prevailing spot rate was A\$250.4 million (2021: A\$259.3 million) including a fair value adjustment of A\$18.9 million (2021: A\$25.9 million). The movement in the carrying amount since issuance is offset by the fair value of the swap A\$21.9 million (2021: A\$27.9 million).
 - The swap agreements also entitle the Group to receive interest, at semi-annual intervals, at a fixed rate on a notional principal amount of US\$175.0 million and oblige it to pay, at quarterly intervals, at a floating rate on a notional principal amount of A\$231.5 million. The swap agreements mature in August 2028.
- A\$250 million fixed rate unsecured medium term notes (MTN) issued in April 2021, maturing in April 2031.
 - The Group has entered into an interest rate swap agreement to swap the fixed interest rate exposure of the notes to a floating exposure over BBSW. At 30 June 2022, the carrying amount of the notes was A\$206.5 million (2021: A\$253.5 million), including a fair value adjustment of A\$43.5 million (2021: A\$3.5 million). The movement in the carrying amount since issuance is offset by the fair value of the swap liability A\$40.0 million (2021: A\$2.2 million asset).

(b) Gearing

Gearing is a measure used to monitor levels of debt capital used by the business to fund its operations. This ratio is calculated as interest bearing debt drawn (excluding hedged foreign exchange and interest rate movements subsequent to the related debt drawing date) net of cash, divided by total assets net of cash and derivative assets.

The gearing ratio of the Charter Hall Group at 30 June 2022 was 0.0% (30 June 2021: 5.0%). Debt covenants are monitored regularly to ensure compliance and reported to the debt provider on a six-monthly basis. The Group Treasurer is responsible for negotiating new debt facilities and monitoring compliance with covenants.

14 Borrowings continued**(c) Net debt reconciliation**

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Opening balance \$'m	Movement in fair values \$'m	Movement in borrowing costs \$'m	Movement in cash \$'m	Derecognition on disposal of DLWF \$'m	Closing balance \$'m
Charter Hall Group						
2022						
Borrowings	552.8	(55.9)	–	44.2	(84.2)	456.9
Derivative financial instruments hedging debt	(34.9)	47.6	–	–	1.2	13.9
Borrowing costs	(3.6)	–	(1.8)	–	2.4	(3.0)
Cash	(351.9)	–	–	(263.3)	20.5	(594.7)
	162.4	(8.3)	(1.8)	(219.1)	(60.1)	(126.9)
2021						
Borrowings	366.7	(37.4)	–	223.5	–	552.8
Loans - related parties	15.9	–	–	(15.9)	–	–
Derivative financial instruments hedging debt	(65.8)	30.9	–	–	–	(34.9)
Borrowing costs	(2.5)	–	(1.1)	–	–	(3.6)
Cash	(238.9)	–	–	(113.0)	–	(351.9)
	75.4	(6.5)	(1.1)	94.6	–	162.4
Charter Hall Property Trust Group						
2022						
Borrowings	552.8	(55.9)	–	44.2	(84.2)	456.9
Derivative financial instruments hedging debt	(34.9)	47.6	–	–	1.2	13.9
Borrowing costs	(3.6)	–	(1.8)	–	2.4	(3.0)
Funding received from Charter Hall Limited	(12.3)	–	–	12.3	–	–
Cash	(71.3)	–	–	(2.6)	20.5	(53.4)
	430.7	(8.3)	(1.8)	53.9	(60.1)	414.4
2021						
Borrowings	366.7	(37.4)	–	223.5	–	552.8
Derivative financial instruments hedging debt	(65.8)	30.9	–	–	–	(34.9)
Borrowing costs	(2.5)	–	(1.1)	–	–	(3.6)
Funding received from/(paid to) Charter Hall Limited	20.6	–	–	(32.9)	–	(12.3)
Cash	(12.7)	–	–	(58.6)	–	(71.3)
	306.3	(6.5)	(1.1)	132.0	–	430.7

15 Derivative financial instruments

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Current assets				
Cross currency interest rate swaps - cash flow hedge and fair value hedge	3.4	3.3	3.4	3.3
Interest rate swaps - fair value hedge	0.8	1.1	0.8	1.1
	4.2	4.4	4.2	4.4
Non-current assets				
Cross currency interest rate swaps - cash flow hedge and fair value hedge	21.9	27.9	21.9	27.9
Interest rate swaps - fair value hedge	–	2.6	–	2.6
Share purchase option - fair value through profit and loss ¹	20.0	–	–	–
	41.9	30.5	21.9	30.5
Non-current liabilities				
Interest rate swaps - fair value hedge	40.0	–	40.0	–
	40.0	–	40.0	–

¹ Share purchase option to call remaining 50% of shares in Paradise Investment Management not presently owned by the Group.

Key valuation assumptions used in the determination of the fair value of derivative financial instruments and the Group's valuation policy are disclosed note 22(c) and 22(d).

16 Contributed equity

(a) Movements in ordinary stapled security capital

Details	Number of securities	Weighted average issue price	Charter Hall Limited	Charter Hall Property Trust	Total
			\$'m	\$'m	\$'m
Opening balance at 1 July 2020	465,777,131		289.1	1,436.8	1,725.9
Buyback and issuance of securities for exercised performance and service rights ¹	–	\$4.63	(2.3)	(10.8)	(13.1)
Tax recognised directly in equity	–		4.0	–	4.0
Closing balance at 30 June 2021	465,777,131		290.8	1,426.0	1,716.8
Closing balance per accounts at 30 June 2021	465,777,131		290.8	1,426.0	1,716.8
Buyback and issuance of securities for exercised performance and service rights ²	–	\$5.99	(3.7)	(15.2)	(18.9)
Tax recognised directly in equity	–		5.6	–	5.6
Issuance of stapled securities	7,220,068	\$20.68	22.1	127.2	149.3
Closing balance at 30 June 2022	472,997,199		314.8	1,538.0	1,852.8
Closing balance per accounts at 30 June 2022	472,997,199		314.8	1,538.0	1,852.8

¹ 1,549,587 stapled securities bought on-market at an average value of \$13.11, offset by the exercise of 821,840 performance rights with a fair value of \$2.65 and 727,747 service rights with an average value of \$6.85.

² 1,566,318 stapled securities bought on-market at an average value of \$18.0, offset by the exercise of 979,346 performance rights with a fair value of \$5.09 and 586,972 service rights with an average value of \$7.50.

(b) Ordinary stapled securities

Ordinary stapled securities are classified as equity. Incremental costs directly attributable to the issue of new stapled securities or options are shown in equity as a deduction, net of tax, from the proceeds.

Ordinary stapled securities entitle the holder to participate in Distributions/Dividends and the proceeds on winding up of the Company/Trust in proportion to the number of and amounts paid on the stapled securities held.

On a show of hands, every holder of ordinary stapled securities present at a meeting in person or by proxy is entitled to one vote and upon a poll, each holder is entitled to one vote per security that they hold.

(c) Distribution Re-investment Plan

The Group has established a Distribution Re-investment Plan (DRP) under which holders of ordinary stapled securities may elect to have all or part of their distribution satisfied by the issue of new ordinary stapled securities rather than by being paid in cash. The DRP was suspended for the distribution paid on 25 August 2016 and subsequent distributions.

17 Reserves

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Business combination reserve	(52.0)	(52.0)	–	–
Security-based benefits reserve	37.2	26.3	–	–
Cash flow hedge reserve	4.0	0.8	4.0	0.8
Foreign currency basis reserve	0.5	(1.4)	0.5	(1.4)
Transactions with non-controlling interests	0.4	0.3	0.4	0.3
Other reserves	(0.3)	2.4	(1.8)	(1.2)
	(10.2)	(23.6)	3.1	(1.5)
Charter Hall Limited	(13.3)	(22.1)	–	–
Charter Hall Property Trust	3.1	(1.5)	3.1	(1.5)
	(10.2)	(23.6)	3.1	(1.5)

(a) Business combination reserve

This reserve relates to the reverse acquisition at the initial public offering (IPO) in 2005. This is the amount that relates to the investment in CHH that is not eliminated by paid-in capital. No goodwill is recognised as this transaction is the result of a reverse acquisition.

(b) Security-based benefits reserve

The security based benefits reserve is used to recognise the fair value of rights and options issued under the PROP.

18 Non-controlling interests

During the year the Group disposed of all units held in Charter Hall Direct Long WALE Fund (2021: 32.3% ownership). As a result, the Group derecognised the assets and liabilities of its former subsidiary, and any related NCI and other components of equity.

During the year the Group also acquired a 100% interest in Charter Hall Wholesale Property Series No.2 (WPS2), and then partially disposed its interest. The Group holds an interest of 45.1% as at 30 June 2022. This investment is classified as Held for Sale.

The table below is the summarised financial information of non-controlling interests included in the Group result.

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Summarised balance sheet				
Current assets	1.2	36.9	1.2	36.9
Current liabilities	0.9	4.0	0.9	4.0
Current net assets	0.3	32.9	0.3	32.9
Non-current assets	78.6	209.9	78.6	209.9
Non-current liabilities	–	39.7	–	39.7
Non-current net assets	78.6	170.2	78.6	170.2
Net assets	78.9	203.1	78.9	203.1
Accumulated non-controlling interest	43.2	137.5	43.2	137.5
Summarised statement of comprehensive income	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Revenue	10.8	13.6		13.6
Profit for the period	21.5	30.1	21.5	30.1
Other comprehensive income	0.1	–	0.1	–
Total comprehensive income	21.6	30.1	21.6	30.1
Comprehensive income allocated to non-controlling	15.9	18.8	15.9	18.8

19 Remuneration of auditors

During the year, the following fees were paid for services provided by the auditors of the Charter Hall Group and Charter Hall Property Trust Group, their related practices and non-related audit firms:

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$	\$	\$	\$
(a) Audit services				
PricewaterhouseCoopers – Australian Firm				
Audit and review of financial reports	563,778	457,970	31,448	11,310
Audit and review of financial reports for DLWF	26,019	48,153	26,019	48,153
Other assurance services	13,178	12,550	13,178	–
Total remuneration for audit services	602,975	518,673	70,645	59,463
(b) Taxation services				
PricewaterhouseCoopers – Australian Firm				
Taxation services	144,800	9,300	–	–
PricewaterhouseCoopers – New Zealand Firm				
Taxation services for DLWF	6,569	1,472	6,569	1,472
Total remuneration for taxation services	151,369	10,772	6,569	1,472
(c) Other services				
PricewaterhouseCoopers – Australian Firm				
Other assurance services	18,150	–	–	–
Total remuneration for other services	18,150	–	–	–

20 Reconciliation of profit after tax to net cash inflow from operating activities

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Profit after tax for the year	927.0	495.6	519.7	329.3
<i>Non-cash items:</i>				
Amortisation of intangibles	0.7	1.5	–	–
Impairment of associates	18.5	6.9	–	6.9
Depreciation and amortisation	9.2	7.8	0.8	1.5
Non-cash security-based benefits expense	12.4	7.0	–	–
Net gain on sale of investments, property and derivatives	(0.3)	(0.4)	1.6	(0.4)
Fair value adjustments	1.0	(30.9)	(0.4)	(30.9)
Unrealised net (gains)/ loss on derivative financial instruments	(24.3)	2.0	(4.3)	2.0
Foreign exchange movements	0.1	–	0.1	(0.9)
<i>Change in assets and liabilities, net of effects from purchase of controlled entity:</i>				
(Increase)/decrease in trade debtors and other receivables	1.6	(16.6)	(11.3)	0.2
Increase in trade creditors and accruals	63.2	26.2	1.0	1.0
Increase in development assets	(31.5)	(42.8)	–	–
Share of net profits from equity accounted investments in associates and joint ventures	(434.8)	(211.2)	(412.0)	(199.0)
(Increase)/decrease for net deferred income tax	61.0	(19.5)	–	–
Net cash inflow from operating activities	603.8	225.6	95.2	109.7

Distributions and interest income received on investments has been classified as cash flow from operating activities.

21 Capital and financial risk management

(a) Capital risk management

The key capital risk management objective of the Group and CHPT is to optimise returns through the mix of available capital sources whilst complying with statutory and constitutional capital requirements and complying with the covenant requirements of the finance facilities. The capital management approach is regularly reviewed by management and the Board as part of the overall strategy. The capital mix can be altered by issuing new units, electing to have the DRP underwritten, adjusting the amount of distributions paid, activating a stapled security buyback program or selling assets.

(b) Financial risk management

Both the Group and CHPT activities expose it to a variety of financial risks: market risk (price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management framework focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. From time to time, the Group uses derivative financial instruments such as interest rate swaps and option contracts to hedge certain risk exposures.

Risk management is carried out by the Group Treasurer, the Chief Financial Officer and the Managing Director and Group CEO in consultation with senior management, the Audit, Risk and Compliance Committee and the Board of Directors. The Group Treasurer identifies, evaluates and hedges financial risks in close co-operation with the Chief Financial Officer. The Board provides guidance for overall risk management, as well as covering specific areas, such as mitigating price, interest rate and credit risks, the use of derivative financial instruments and investing excess liquidity.

(i) Market risk

Unlisted unit price risk

The Group is exposed to unlisted unit price risk. This arises from investments in unlisted property funds managed by the Group. These funds invest in direct property. Charter Hall manages all the funds that the Group invests in and its executives have a sound understanding of the underlying property values and trends that give rise to price risk. The carrying value of investments in associates at fair value through profit or loss is measured with reference to the funds' unit prices which are determined in accordance with the funds' respective constitutions. The key determinant of the unit price is the underlying property values which are approved by the respective fund board or investment committee and the Executive Property Valuation Committee.

21 Capital and financial risk management continued

The following table illustrates the potential impact a change in unlisted unit prices by $\pm 10\%$ would have on the Group and CHPT's profit. The movement in the price variable has been determined based on management's best estimate, having regard to a number of factors, including historical levels of price movement, historical correlation of the Group's investments with the relevant benchmark and market volatility. However, actual movements in the price may be greater or less than anticipated due to a number of factors. As a result, historic price variations are not a definitive indicator of future price variations.

	Carrying amount \$'m	10% Impact on Profit \$'m
Charter Hall Group		
2022		
<i>Assets – Charter Hall Group</i>		
Investments in associates at fair value through profit or loss	42.4	4.2
Assets held for sale	79.0	7.9
2021		
<i>Assets – Charter Hall Group</i>		
Investments in associates at fair value through profit or loss	46.2	4.6
Investments in financial assets at fair value through profit or loss	–	–
Charter Hall Property Trust Group		
2022		
<i>Assets – Charter Hall Property Trust Group</i>		
Investments in associates at fair value through profit or loss	42.4	4.2
Assets held for sale	79.0	7.9
2021		
<i>Assets – Charter Hall Property Trust Group</i>		
Investments in associates at fair value through profit or loss	46.2	4.6
Investments in financial assets at fair value through profit or loss	–	–

The impact of a -10% change is the reverse of the impact shown for a +10% change.

Cash flow and fair value interest rate risk

The Group has long-term interest-bearing assets from unsecured loans receivable from development partners of \$3.4 million. This exposure is not considered to be material to the Group.

The Group's and CHPT's external interest rate risk arises from the debt facilities disclosed in Note 14. Borrowings drawn at variable rates expose both the Group and CHPT to cash flow interest rate risk. Borrowings drawn at fixed rates expose both the Group and CHPT to fair value interest rate risk. The Group and CHPT monitor interest rate risk regularly and in accordance with the Charter Hall Treasury Risk Management Policy and perform associated stress testing. Core borrowings are defined as being the level of borrowings that are expected to be held for a period of more than two years.

(ii) Interest rate risk exposure

The Group's and CHPT's external interest rate risk arises from the debt facilities and associated derivatives disclosed in Note 14 bearing a variable interest rate.

21 Capital and financial risk management continued

Interest rate sensitivity analysis

The following tables illustrate the potential impact a change in interest rates of +/-1% would have on the Group and CHPT's profit, with all other variables remaining constant.

	Effective interest rate	Fair value \$'m	Carrying amount \$'m	+/-1% Impact on Profit \$'m
Charter Hall Group				
2022				
<i>Financial assets</i>				
Cash and cash equivalents	0.2%	594.7	594.7	5.9/(5.9)
<i>Financial liabilities</i>				
Borrowings	1.9%	450.3	456.9	(5.3)/5.5
Total increase/(decrease)				0.6/(0.4)
2021				
<i>Financial assets</i>				
Cash and cash equivalents	0.1%	351.9	351.9	3.5/(3.5)
<i>Financial liabilities</i>				
Borrowings	1.3%	552.8	552.8	(5.0)/5.0
Total increase/(decrease)				(1.5)/1.5
Charter Hall Property Trust Group				
2022				
<i>Financial assets</i>				
Cash and cash equivalents	0.2%	53.4	53.4	0.5/(0.5)
<i>Financial liabilities</i>				
Borrowings	1.9%	450.3	456.9	(5.3)/5.5
Total increase/(decrease)				(4.8)/5.0
2021				
<i>Financial assets</i>				
Cash and cash equivalents	0.1%	71.3	71.3	0.7/(0.7)
Loan receivable from Charter Hall Ltd	4.4%	12.3	12.3	0.1/(0.1)
<i>Financial liabilities</i>				
Borrowings	1.3%	552.8	552.8	(5.0)/5.0
Total increase/(decrease)				(4.2)/4.2

The fair value of interest-bearing liabilities is inclusive of costs which would be incurred on settlement of a liability, and is based upon market prices, where a market exists, or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

The effect of changes in interest rates on the Group's and CHPT's profit shown in the table above is mainly impacted by a change in interest payable on floating rate interest, offset by changes in the fair value of derivative financial instruments hedging this exposure.

(iii) Foreign exchange risk

The Group and CHPT's principal exposure to foreign exchange risk arises from its investments in foreign subsidiaries and exposure to bond issuances denominated in US dollars. The major asset held by foreign subsidiaries is cash in foreign denominated bank accounts. Cross currency swaps are used to convert US dollar borrowings into Australian dollar exposure.

21 Capital and financial risk management continued

(iv) Hedge accounting of derivatives

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. See Note 15 for derivatives held by the Group.

The Group's accounting policy for its fair value and cash flow hedges is set out in Note 32(m).

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group hedges 100% of its foreign denominated debt and fixed rate medium term note. The Group enters into cross currency interest rate swaps and interest rate swaps that have critical terms that match the hedged item, such as payment dates, maturities and notional amount. The Group uses the hypothetical derivative method to assess effectiveness. Hedge ineffectiveness may occur due to credit/debit value adjustments and differences in critical terms between the hedging instrument and the hedged item.

Hedging instruments used by the Group

Cross currency interest rate swaps currently in place cover 100% (2021: 100%) of the foreign denominated debt outstanding. The variable AUD interest rate payable under the swaps is 2.0% (2021: 2.0%) above the 90-day bank bill swap rate which at the end of the reporting period was 1.8% (2021: 0.1%) and the receivable USD fixed rate aligns with the foreign denominated debt at 4.6% (2021: 4.6%).

Interest rate swaps currently in place for the medium term notes cover 100% (2021: 100%) of the debt outstanding. The receivable fixed rate of the swaps is 3.1% (2021: 3.1%) and the payable is the 90-day bank bill swap rate plus 1.5% (2021: 1.5%).

See Note 14(a) for further details of swaps held by the Group.

Effects of hedge accounting on the financial position and performance

The effects of the cross currency interest rate swaps and interest rate swaps on the Group's financial position and performance are as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
Cross currency interest rate swaps				
Carrying amount	25.3	31.2	25.3	31.2
Notional amount	231.5	231.5	231.5	231.5
Maturity date	August-2028	August-2028	August-2028	August-2028
Hedge ratio ¹	1:1	1:1	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 July	(5.9)	(42.4)	(5.9)	(42.4)
Change in value of hedged item used to determine hedge effectiveness	8.8	41.0	8.8	41.0
Interest rate swaps				
Carrying amount	(39.2)	3.7	(39.2)	3.7
Notional amount	250.0	250.0	250.0	250.0
Maturity date	April-2031	April-2031	April-2031	April-2031
Hedge ratio ¹	1:1	1:1	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 July	(42.9)	3.7	(42.9)	3.7
Change in value of hedged item used to determine hedge effectiveness	47.0	(3.5)	47.0	(3.5)

¹ The underlying rate on the swaps is the same as the rate exposure on the debt, therefore the hedge ratio is 1:1.

21 Capital and financial risk management continued

(c) Credit risk

The Group and CHPT have policies in place to ensure that sales of services are made to customers with appropriate credit histories to minimise risk of default. A default is when the counterparty fails to fulfil its obligations under the terms of the financial asset causing financial loss to the Group and CHPT.

The Group derives 65.0% of its income from management fees, development revenue, transaction and other fees from related parties. A further 32.9% of the Group's income is derived from equity accounted investments in property funds and distributions from investments in property funds held at fair value through the profit and loss.

CHPT derives 94.6% of its income from equity accounted investments in property funds and distributions from investments in property funds held at fair value through profit and loss.

Where appropriate, tenants in the underlying property funds for the Group and CHPT are assessed for creditworthiness, taking into account their financial position, past experience and other factors. Refer to Note 9(c) for more information on credit risk.

Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group and CHPT have policies that limit the amount of credit exposure to any one financial institution.

The Group and CHPT applies the AASB 9 simplified approach to measuring expected credit losses which involves a lifetime expected loss allowance for all trade and other financial assets. The Group considers its financial asset balances to be low risk and thus the methodology has not resulted in the recognition of an impairment of any financial assets.

The loss allowances for trade and other financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions, based on the Group's history, existing market conditions and forward looking estimates at the end of each reporting period.

(d) Liquidity risk

Prudent liquidity risk management involves maintaining sufficient cash and undrawn debt funding to meet all funding commitments.

Maturities of financial liabilities

The following table provides the contractual maturity of the Group's and CHPT's financial liabilities. The amounts presented represent the future contractual undiscounted principal and interest cash flows and therefore do not equate to the value shown in the balance sheet. Repayments which are subject to notice are treated as if notice were given immediately.

21 Capital and financial risk management continued

	Carrying amount \$'m	Less than one year \$'m	Between one and five years \$'m	Over five years \$'m	Total cash flows \$'m
Charter Hall Group					
2022					
Trade and other payables	262.1	257.4	1.3	3.4	262.1
Borrowings	456.9	–	–	456.9	456.9
Derivative financial instruments					
Net contractual amounts payable/(receivable)	40.0	2.8	22.4	24.1	49.3
Total financial liabilities	759.0	260.2	23.7	484.4	768.3
2021					
Trade and other payables	171.9	168.1	0.2	3.6	171.9
Borrowings	552.8	–	40.0	512.8	552.8
Total financial liabilities	724.7	168.1	40.2	516.4	724.7
Charter Hall Property Trust Group					
2022					
Trade and other payables	66.1	66.1	–	–	66.1
Borrowings	456.9	–	–	456.9	456.9
Derivative financial instruments					
Net contractual amounts payable/(receivable)	40.0	2.8	22.4	24.1	49.3
Total financial liabilities	563.0	68.9	22.4	481.0	572.3
2021					
Trade and other payables	66.0	66.0	–	–	66.0
Borrowings	552.8	–	40.0	512.8	552.8
Total financial liabilities	618.8	66.0	40.0	512.8	618.8

Offsetting financial assets and liabilities

The Group is a party to a master agreement as published by International Swaps and Derivative Associates, Inc. (ISDA) which allows the Group's counterparties, under certain conditions (i.e. event of default), to set off the position owing/receivable under a derivative contract to a net position outstanding. As at 30 June 2022, there was a gross liability position of \$13.9 million (2021: \$nil) with no amounts subject to offset.

As the Group does not have a legally enforceable right to set off, none of the financial assets or financial liabilities are offset on the balance sheet of the Group.

22 Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

A fair value measurement of a non-financial asset takes into account the Group's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of financial instruments traded in active markets is determined using quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

(a) Recognised fair value measurement

The Charter Hall Group and the Charter Hall Property Trust Group measure and recognise the following assets and liabilities at fair value on a recurring basis:

- Investments in associates at fair value through profit and loss (Note 2)
- Derivatives (Note 15)

22 Fair value measurement continued

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- (iii) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Charter Hall Group's and Charter Hall Property Trust Group's assets and liabilities measured and recognised at fair value:

	Level 1 \$'m	Level 2 \$'m	Level 3 \$'m	Total \$'m
Charter Hall Group				
2022				
Investments in financial assets at fair value through profit and loss	20.0	–	–	20.0
Investments in associates at fair value through profit and loss	–	–	42.4	42.4
Derivative financial instruments	–	26.1	20.0	46.1
Assets classified as held for sale	–	–	79.0	79.0
Total assets	20.0	26.1	141.4	187.5
Derivative financial instruments	–	(40.0)	–	(40.0)
Total liabilities	–	(40.0)	–	(40.0)
2021				
Investments in associates at fair value through profit and loss	–	–	46.2	46.2
Investment properties	–	–	193.2	193.2
Derivative financial instruments	–	34.9	–	34.9
Assets classified as held for sale	–	–	23.1	23.1
Total assets	–	34.9	262.5	297.4
Charter Hall Property Trust Group				
2022				
Investments in financial assets at fair value through profit and loss	20.0	–	–	20.0
Investments in associates at fair value through profit and loss	–	–	42.4	42.4
Derivative financial instruments	–	26.1	–	26.1
Assets classified as held for sale	–	–	79.0	79.0
Total assets	20.0	26.1	121.4	167.5
Derivative financial instruments	–	(40.0)	–	(40.0)
Total liabilities	–	(40.0)	–	(40.0)
2021				
Investments in associates at fair value through profit and loss	–	–	46.2	46.2
Investment properties	–	–	193.2	193.2
Derivative financial instruments	–	34.9	–	34.9
Assets classified as held for sale	–	–	23.1	23.1
Total assets	–	34.9	262.5	297.4

There have been no transfers between Level 1, Level 2 and Level 3 during the period.

(b) Disclosed fair values

The carrying amounts of current trade receivables and payables approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Charter Hall Group and Charter Hall Property Trust Group for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

22 Fair value measurement continued

(c) Valuation techniques used to derive Level 2 fair values

Derivatives

Derivatives are classified as Level 2 on the fair value hierarchy as the inputs used to determine fair value are observable market data but not quoted prices.

The fair value of cross currency interest rate swaps is determined using forward foreign exchange market rates and the present value of the estimated future cash flows at the balance date.

The fair value of interest rate swaps is determined using forward interest rates and the present value of the estimated future cash flows at the balance date.

Credit value adjustments are calculated based on the counterparty's credit risk using the counterparty's credit default swap curve as a benchmark. Debit value adjustments are calculated based on the Group's credit risk using debt financing available to the Group as a benchmark.

(d) Valuation techniques used to derive Level 3 fair values

Investments in associates

Certain unlisted property securities have been designated on initial recognition to be treated at fair value through profit or loss. Movements in fair value during the period have been recognised in the consolidated statement of comprehensive income. These assets have been acquired with the intention of being long-term investments. Where the assets in this category are expected to be sold within 12 months, they are classified as current assets; otherwise they are classified as non-current.

The fair value of investments in associates held at fair value through profit and loss, which are investments in unlisted securities, are determined by giving consideration to the unit prices and net assets of the underlying funds. The unit prices and net asset values are largely driven by the fair values of investment properties and derivatives held by the funds. Recent arm's length transactions, if any, are also taken into consideration.

The fair value of investments in associates at fair value through profit or loss is impacted by the price per security of the investment. An increase to the price per security results in an increase to the fair value of the investment.

Derivatives

The level 3 derivative relates to a share purchase option to call the remaining 50% of Paradise Investment Management (PIM) shares not yet acquired by the Group. The PIM share purchase option is designated on initial recognition to be treated at fair value through profit or loss. Movements in fair value during the period have been recognised in the consolidated statement of comprehensive income.

The fair value of the PIM share purchase option is determined using the Black-Scholes methodology.

The Group cannot sell the PIM share purchase option and should the option not be exercised or the Group otherwise elect to forfeit this right, 100% of the carrying value will be written off as a loss on derecognition in the statement of comprehensive income.

Look-through Investment property

The use of independent external valuers is on a rotational basis at least once every 12 months, or earlier, where the Responsible Entity deems it appropriate or believes there may be a material change in the carrying value of the property. Independent external valuations were conducted on 99.1% of Investment Property as at 30 June 2022 on a look-through basis.

Movements in the inputs are likely to have an impact on the fair value of investment properties. An increase in gross market rent will likely lead to an increase in fair value. A decrease in adopted capitalisation rate, adopted terminal yield or adopted discount rate will likely lead to an increase in fair value.

With the potential and uncertain economic impacts of COVID-19, future property valuations could be adversely impacted.

Where an independent valuation is not obtained, the fair value is determined using discounted cash flow and income capitalisation methods.

23 Related parties

(a) Parent entity

The parent entity of the Charter Hall Group is Charter Hall Limited. The parent entity of the Charter Hall Property Trust Group is the Charter Hall Property Trust.

(b) Controlled entities

Interests in controlled entities are set out in Note 24.

(c) Key management personnel

Below are the aggregate amounts paid or payable to key management personnel (including Non-Executive Directors):

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Salary and fees	3,221	3,105	—	—
Non-Executive Director remuneration	1,458	1,429	—	—
Short-term incentives	6,060	4,290	—	—
Superannuation	71	65	—	—
PROP accounting fair value expense	5,135	2,743	—	—
Non-monetary benefits	2	4	—	—
	15,947	11,636	—	—

Detailed remuneration disclosures are provided in the Remuneration Report on pages 53 to 85.

(d) Transactions with related parties

The following income was earned from related parties during the year:

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<i>Associates</i>				
Accounting cost recoveries	14,303	12,524	—	—
Marketing cost recoveries	4,540	3,251	—	—
Transaction and performance fees	247,730	49,174	—	—
Management and development fees	222,768	172,871	—	—
Property management fees and cost recoveries	76,816	68,775	—	—
Development revenue	260,720	155,551	—	—
<i>Joint ventures</i>				
Accounting cost recoveries	1,324	920	—	—
Marketing cost recoveries	435	244	—	—
Transaction and performance fees	104,575	3,103	—	—
Management and development fees	33,532	29,448	—	—
Property management fees and cost recoveries	14,141	10,104	—	—
Development revenue	65,621	119,691	—	—
<i>Other</i>				
Accounting cost recoveries	1,216	1,232	—	—
Marketing cost recoveries	81	60	—	—
Transaction and performance fees	19,708	14,585	—	—
Management and development fees	10,163	8,277	—	—
Property management fees and cost recoveries	1,972	2,497	—	—
Investment-related revenue	—	—	14,952	10,742
	1,079,645	652,307	14,952	10,742

During the year, the Group sold holdings in related party entities to other related parties totalling \$116.9m (2021: \$198.3m).

23 Related parties continued

The following balances arising through the normal course of business were due from related parties at balance date:

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<i>Associates</i>				
Management fee receivables	23,576	19,600	-	-
Other receivables	13,181	23,852	-	-
<i>Joint ventures</i>				
Management fee receivables	7,756	6,354	-	-
Other receivables	7,743	2,399	-	-
<i>Other</i>				
Management fee receivables	1,559	1,168	-	-
Other receivables	8,210	8,082	-	-
	62,025	61,455	-	-

(e) Loans to/(from) related parties

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<i>Loans to joint ventures</i>				
Opening balances	3,260	4,397	-	-
Loans advanced	1,583	-	-	-
Loan repayments received	(1,694)	(1,376)	-	-
Interest received/receivable	259	239	-	-
Closing balance	3,408	3,260	-	-
<i>Loans to other related parties</i>				
Opening balances	6,949	13,168	-	-
Loans advanced	-	7,320	-	-
Loan repayments received	(7,318)	(14,286)	-	-
Interest received/receivable	369	747	-	-
Closing balance	-	6,949	-	-
<i>Loans from other related parties</i>				
Opening balances	-	15,948	-	-
Loans advanced	11,000	-	-	-
Loan repayments made	-	(15,948)	-	-
Interest paid/payable	1,278	-	-	-
Closing balance	12,278	-	-	-
<i>Loans to/(from) Charter Hall Limited</i>				
Opening balances	-	-	12,281	(20,581)
Loans advanced	-	-	327,005	618,339
Loan repayments received	-	-	(338,494)	(587,292)
Interest received/receivable	-	-	(792)	1,815
Closing balance	-	-	-	12,281

No provisions for expected credit losses have been raised in relation to any outstanding balances.

(f) Fees paid to the Responsible Entity or its associates

Fees paid to the Responsible Entity of the Charter Hall Property Trust, and its associates, by the Charter Hall Property Trust Group amounted to \$4,208,000 (2021: \$4,161,000). At 30 June 2022, related fees payable amounted to \$4,827,000 (2021: \$1,907,000).

24 Controlled entities

(a) Critical judgements

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Critical judgements are made in assessing whether an investee entity is controlled or subject to significant influence or joint control. These judgements include an assessment of the nature, extent and financial effects of the Group's interest in investee entities, including the nature and effects of its contractual relationship with the entity or with other investors.

(b) Principal controlled entities

The Group's principal subsidiaries where the majority of activities are undertaken as at 30 June 2022 are set out below. The country of incorporation or registration is also their principal place of business, unless otherwise stated.

Name of entity	Country of incorporation	Principal activity	Class of securities	2022 %	2021 %
Controlled entities of Charter Hall Limited					
Charter Hall Holdings Pty Limited	Australia	Property management	Ordinary	100	100
Charter Hall Opportunity Fund No. 5	Australia	Property development	Ordinary	93	93
Folkestone Limited	Australia	Property management	Ordinary	100	100
Charter Hall Social Infrastructure Limited	Australia	Responsible entity	Ordinary	100	100
Charter Hall Direct Property Management Limited	Australia	Responsible entity	Ordinary	100	100
Charter Hall FLK Funds Management Limited	Australia	Responsible entity	Ordinary	100	100
Charter Hall Investment Management Limited	Australia	Responsible entity	Ordinary	100	100
Charter Hall Retail Management Limited	Australia	Responsible entity	Ordinary	100	100
Charter Hall WALE Limited	Australia	Responsible entity	Ordinary	100	100
Charter Hall Wholesale Management Limited	Australia	Responsible entity	Ordinary	100	100
Charter Hall Development Services Pty Ltd	Australia	Property development	Ordinary	100	100
Folkestone No 3 Pty Limited	Australia	Property investment	Ordinary	100	100
Charter Hall Opportunity Fund No. 6	Australia	Property development	Ordinary	100	—
Australian Leisure and Entertainment Property Management Limited	Australia	Responsible entity	Ordinary	100	—
Controlled entities of Charter Hall Property Trust					
Charter Hall Co-Investment Trust	Australia	Property investment	Ordinary	100	100
Charter Hall Co-Investment Trust 2	Australia	Property investment	Ordinary	100	100
Charter Hall Co-Investment Trust 3	Australia	Property investment	Ordinary	100	100
Charter Hall Co-Investment Trust 4	Australia	Property investment	Ordinary	100	100
Charter Hall Co-Investment Trust 6	Australia	Property investment	Ordinary	100	100
Charter Hall Co-Investment Trust 7	Australia	Property investment	Ordinary	100	100
Charter Hall Co-Investment Trust 8	Australia	Property investment	Ordinary	100	100
Charter Hall Co-Investment Trust 9	Australia	Property investment	Ordinary	100	100
CHPT Exchange Trust	Australia	Property investment	Ordinary	100	100
Charter Hall Direct Long WALE Fund	Australia	Property investment	Ordinary	—	32
CHPT RP2 Trust	Australia	Property investment	Ordinary	100	100
CHC Finance Pty Ltd	Australia	Financing entity	Ordinary	100	100
Charter Hall Co-Investment Trust 10	Australia	Property investment	Ordinary	100	100
Charter Hall Co-Investment Trust 11	Australia	Property investment	Ordinary	100	—
Charter Hall Co-Investment Trust 12	Australia	Property investment	Ordinary	100	—
Charter Hall Maxim Income Fund	Australia	Property Investment	Ordinary	100	—
Charter Hall Wholesale Property Series No.2	Australia	Property investment	Ordinary	45	—

25 Interests in unconsolidated structured entities

The Charter Hall Group considers its investments in associates and joint ventures to be unconsolidated structured entities, on the basis that the Group's voting rights are not the sole factor in determining whether control over an entity exists. Where the Group determines that control over an entity does not exist, the entity is recognised as an associate or joint venture of the Group for reporting purposes.

The activities and objectives of the unconsolidated structured entities of the Group include property investment for annuity income and medium to long-term capital growth and/or development profit.

The aggregate of all the Group's interests and maximum exposure to loss in unconsolidated structured entities, being the Group's interests in associates and joint ventures, are included in the table below:

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Current assets				
Trade receivables	17.5	17.4	–	–
Distributions receivable	35.4	35.4	34.6	34.1
Loans to associates and joint ventures	–	4.2	–	–
Total current assets	52.9	57.0	34.6	34.1
Non-current assets				
Loans to related parties	3.4	5.9	–	–
Investments at fair value through profit or loss	42.4	46.2	42.4	46.2
Investments accounted for using the equity method	3,033.1	2,321.6	2,750.1	2,234.6
Total non-current assets	3,078.9	2,373.7	2,792.5	2,280.8
Total carrying amount of interests in unconsolidated structured entities	3,131.8	2,430.7	2,827.1	2,314.9
Total funds under management in unconsolidated structured entities	79,911.0	52,288.9	79,911.0	51,751.2

There are no additional arrangements that would expose the Charter Hall Group or Charter Hall Property Trust Group to losses beyond the carrying amounts.

During the year, the Charter Hall Group earned fees from structured entities in its capacity as investment manager. Refer to Note 23 for further information.

No financial support has been provided to the funds beyond the loans disclosed in the above table.

26 Commitments

(a) Capital commitments

Charter Hall Group

The Group has capital expenditure and a funding guarantee contracted for at the reporting date but not recognised as liabilities of \$13.4 million at 30 June 2022 (2021: \$34.4 million) relating to a development joint venture.

Charter Hall Property Trust Group

The Trust Group had no contracted capital commitments as at 30 June 2022 (2021: \$nil).

27 Contingent liabilities

The Group has nil contingent liabilities as at 30 June 2022 (2021: \$nil) other than the bank guarantees provided for under the bank facility held by Charter Hall Property Trust (refer to 14(a)).

28 Security-based benefits expense

(a) Charter Hall – Performance Rights and Options Plan (PROP)

Charter Hall Group and Charter Hall Property Trust Group	2019 Number	2020 Number	2021 Number	2022 Number	Total Number
Performance rights					
Rights issued 28/11/18	1,015,843	–	–	–	1,015,843
Rights issued 25/11/19	–	713,588	–	–	713,588
Rights issued 26/11/20	–	–	838,798	–	838,798
Rights issued 11/09/21	–	–	–	4,094,224	4,094,224
Rights issued 11/11/21	–	–	–	905,776	905,776
Rights issued 14/12/21	–	–	–	794,630	794,630
Performance rights issued	1,015,843	713,588	838,798	5,794,630	8,362,859
Number of rights forfeited/lapsed					
Prior years	(36,497)	(15,263)	–	–	(51,760)
Current year	–	(37,356)	(43,651)	(40,804)	(121,811)
Number of rights vested					
Current year	(979,346)	–	–	–	(979,346)
Closing balance	–	660,969	795,147	5,753,826	7,209,942
Service rights					
Rights issued 28/11/18	1,453,485	–	–	–	1,453,485
Rights issued 01/07/18	244,617	–	–	–	244,617
Rights issued 01/07/19	–	178,903	–	–	178,903
Rights issued 28/11/19	–	320,000	–	–	320,000
Rights issued 01/07/20	–	–	672,282	–	672,282
Rights issued 01/07/20	–	–	319,856	–	319,856
Rights issued 27/07/21	–	–	–	319,650	319,650
Rights issued 27/07/21	–	–	–	156,280	156,280
Service rights issued	1,698,102	498,903	992,138	475,930	3,665,073
Number of rights forfeited/lapsed					
Prior years	(96,899)	–	–	–	(96,899)
Current year	–	–	–	–	–
Number of rights vested					
Prior years	(1,213,607)	(89,455)	–	–	(1,303,062)
Current year	(387,596)	(89,448)	(109,928)	–	(586,972)
Closing balance	–	320,000	882,210	475,930	1,678,140

Further detail regarding the vesting conditions are included in the remuneration report section of the Directors' report.

(b) PROP expense

Total expenses related to the PROP recognised during the year as part of employee benefit expense were as follows:

	Charter Hall Group		Charter Hall Property Trust Group	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Performance rights and option plan	12.4	6.8	–	–

28 Security-based benefits expense continued

(c) PROP Valuation Inputs

The Black-Scholes or Monte Carlo method, as applicable, is utilised for valuation and accounting purposes. The model inputs to assess the fair value of the PROP rights granted during FY2022 are as follows:

	CHC Retention and Outperformance Plan	CHC Retention and Outperformance Plan (CEO)	CHC Performance rights Tranche 1	CHC Performance rights Tranche 2
Grant date	11/09/2021	11/11/2021	14/12/2021	14/12/2021
Stapled security price at grant date ¹	\$17.72	\$18.83	\$21.95	\$21.95
Fair value of right	\$4.58	\$5.86	\$20.59	\$16.44
Expected volatility ²	31.9%	32.3%	35.8%	35.8%
Dividend yield	2.1%	2.0%	1.7%	1.7%
Risk-free interest rate	0.6%	1.4%	1.1%	1.1%

	CHC Service rights – Mandatory Deferred STI	CHC Service rights – Voluntary Deferred STI	CQE Service rights – Mandatory Deferred STI	CLW Service rights – Mandatory Deferred STI
Grant date	27/07/2021	27/07/2021	27/07/2021	27/07/2021
Stapled security price at grant date ¹	\$16.04	\$16.04	\$3.49	\$4.91
Fair value of right	\$15.45	\$14.23	\$3.25	\$4.47
Expected volatility ²	37.7%	32.8%	30.6%	24.7%
Dividend yield	2.4%	2.4%	4.5%	5.9%
Risk-free interest rate	0.3%	0.3%	0.3%	0.3%

1 The grant date reflects the date the rights were allocated. Participants are eligible and performance period commences from 1 July of the relevant financial year for performance rights.

2 Expected volatility takes into account historical market price volatility.

Further detail regarding the vesting conditions are included in the remuneration report section of the Directors' report.

(d) Charter Hall General Employee Security Plan (GESP)

During the year, eligible employees received up to \$1,000 (2021: \$1,000) in stapled securities which vested immediately on issue but are held in trust until the earlier of the completion of three years' service or termination. An expense of \$601,666 (2021: \$434,931) was recognised in relation to this plan during the year. For the GESP, the cost of the stapled securities bought on-market to settle the award liability is included in employee benefits expense.

(e) Accounting policy

Security-based benefits

Security-based compensation benefits are provided to employees via the Charter Hall Performance Rights and Options Plan (PROP) and the General Employee Security Plan (GESP). For market-based performance rights, the fair value at grant date is independently valued using a Monte Carlo simulation pricing model that takes into account the exercise price, the term of the rights, impact of dilution, stapled security price at grant date, expected price volatility of the underlying stapled security, expected dividend yield and the risk-free interest rate for the term of the rights and market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. For non-market based performance rights, the fair value at grant date is independently valued using the Black-Scholes methodology. At each reporting date, the entity revises its estimate of the number of rights that are expected to vest. The employee benefits expense recognised each year takes into account the most recent estimate.

Upon the vesting of stapled securities, the balance of the stapled security-based benefits reserve relating to those stapled securities is transferred to equity, net of any directly attributable transaction costs.

29 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity of the Charter Hall Group, being Charter Hall Limited, and the parent entity of the Charter Hall Property Trust Group, being the Charter Hall Property Trust, have been prepared on the same basis as the Group's financial statements:

	Charter Hall Limited		Charter Hall Property Trust	
	2022	2021	2022	2021
	\$'m	\$'m	\$'m	\$'m
Balance sheet				
Current assets	219.1	296.0	101.2	63.7
Total assets	486.8	562.7	1,924.3	1,797.4
Current liabilities	122.5	64.9	64.3	60.2
Total liabilities	351.9	455.1	344.7	321.1
Shareholders' equity				
Issued capital	314.8	290.8	1,538.0	1,426.0
Other reserves	(53.6)	(53.6)	4.0	(0.5)
Accumulated profit/(losses)	(126.3)	(129.6)	37.6	50.8
Net equity	134.9	107.6	1,579.6	1,476.3
Profit for the year	85.7	74.6	92.9	254.1
Total comprehensive income for the year	85.7	74.6	92.9	254.1

Charter Hall Property Trust has total net assets of \$1.6 billion and liquidity through the inter-staple loan with Charter Hall Limited.

(b) Contingent liabilities of the parent entity

Charter Hall Limited and Charter Hall Property Trust had no contingent liabilities as at 30 June 2022 (2021: \$nil) other than the bank guarantees provided for under the bank facility held by Charter Hall Property Trust (refer to Note 14(a)).

(c) Contractual commitments

As at 30 June 2022, Charter Hall Limited had no contractual commitments (2021: \$nil).

As at 30 June 2022, Charter Hall Property Trust had no contractual commitments (2021: \$nil).

30 Deed of cross guarantee

Charter Hall Group

Charter Hall Limited (CHL) and its wholly owned subsidiaries, Charter Hall Holdings Pty Ltd (CHH) and Folkestone Limited (FLK), are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, CHH and FLK have been relieved from the requirement to prepare financial statements and a Directors' report under ASIC Instrument 2016/785 issued by the Australian Securities and Investments Commission. FLK was added by assumption deed to the deed of cross guarantee from 3 May 2019.

(a) Consolidated statement of comprehensive income and summary of movements in consolidated accumulated losses

The above companies represent a 'closed group' for the purposes of the Instrument and, as there are no other parties to the deed of cross guarantee that are controlled by Charter Hall Limited, they also represent the 'extended closed group'.

Set out as follows is a consolidated statement of comprehensive income and a summary of movements in consolidated accumulated losses for the year of the closed group consisting of CHL, CHH and FLK.

	2022 \$'000	2021 \$'000
Statement of comprehensive income		
Revenue	728.8	356.0
Other net fair value adjustments	20.0	—
Employee benefits expense	(181.2)	(147.9)
Depreciation and amortisation	(8.4)	(7.8)
Finance costs	(2.3)	(2.8)
Share of net profit of associates accounted for using the equity method	13.2	—
Other expenses	(48.6)	(26.5)
Profit before income tax	521.5	171.0
Income tax expense	(156.0)	(52.3)
Profit for the year	365.5	118.7
Accumulated profit at the beginning of the financial year	132.6	84.5
Profit for the year	365.5	118.7
Dividends paid/payable	(82.3)	(70.6)
Accumulated profit at the end of the financial year	415.8	132.6

30 Deed of cross guarantee continued

(b) Balance sheet

Set out below is a consolidated balance sheet of the closed group consisting of CHL, CHH and FLK.

	2022 \$'m	2021 \$'m
Assets		
<i>Current assets</i>		
Cash and cash equivalents	380.0	178.0
Receivables and other assets	101.0	80.5
Total current assets	481.0	258.5
<i>Non-current assets</i>		
Net loans payable to related entities	–	5.4
Investment in associates at fair value through profit or loss	15.1	15.1
Investment in associates	207.5	2.8
Investments in controlled entities	203.5	193.5
Property, plant and equipment	15.1	14.4
Intangible assets	71.0	71.0
Right-of-use assets	20.8	9.3
Deferred tax assets	4.7	13.8
Derivative financial instruments	20.0	–
Total non-current assets	557.7	325.3
Total assets	1,038.7	583.8
Liabilities		
<i>Current liabilities</i>		
Trade and other liabilities	242.5	127.3
Lease liabilities	6.9	4.5
Total current liabilities	249.4	131.8
<i>Non-current liabilities</i>		
Trade and other liabilities	4.6	3.8
Loans due to Charter Hall Property Trust	–	12.3
Net loans due to related entities	24.4	–
Lease liabilities	19.5	10.7
Total non-current liabilities	48.5	26.8
Total liabilities	297.9	158.6
Net assets	740.8	425.2
Equity		
Contributed equity	314.8	290.8
Reserves	10.2	1.8
Accumulated profit	415.8	132.6
Total equity	740.8	425.2

31 Events occurring after the reporting date

In July 2022, Charter Hall Group and PGGM entered into a partnership (CHPIP2) to acquire all stapled securities in Irongate Group (ASX:IAP) for \$1.90 per IAP stapled security totalling \$1,287.4m. Charter Hall Group will own 12% of CHPIP2.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

- (a) The Group's operations in future financial years; or
- (b) The results of those operations in future financial years; or
- (c) The Group's state of affairs in future financial years.

32 Summary of significant accounting policies

The significant policies which have been adopted in the preparation of these consolidated financial statements for the year ended 30 June 2022 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Changes in accounting policies

(a) New and amended standards adopted

No new accounting standards or amendments have come into effect for the year ended 30 June 2022 that affect the Group's operations or reporting requirements.

Significant accounting policies

(b) Controlled entities

The Charter Hall Group (Group or CHC) is a 'stapled' entity comprising Charter Hall Limited (Company or CHL) and its controlled entities, and Charter Hall Property Trust (Trust) and its controlled entities (CHPT Group). The shares in the Company are stapled to the units in the Trust. The stapled securities cannot be traded or dealt with separately. The stapled securities of the Group are listed on the Australian Securities Exchange (ASX). CHL has been identified as the parent entity in relation to the stapling.

The two Charter Hall entities comprising the stapled Group remain separate legal entities in accordance with the Corporations Act 2001, and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the Corporations Act 2001.

As permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838, this financial report is a combined financial report that presents the consolidated financial statements and accompanying notes of both the Charter Hall Group and the Charter Hall Property Trust Group.

The financial report of the Charter Hall Group comprises CHL and its controlled entities, including Charter Hall Funds Management Limited (Responsible Entity) as responsible entity for CHPT and CHPT and its controlled entities. The results and equity not directly owned by CHL, of CHPT, have been treated and disclosed as a non-controlling interest. Whilst the results and equity of CHPT are disclosed as a non-controlling interest, the stapled securityholders of CHL are the same as the stapled securityholders of CHPT. The financial report of the Charter Hall Property Trust Group comprises the Trust and its controlled entities.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001, and continue to be prepared on the going concern basis of accounting. The Charter Hall Group and Charter Hall Property Trust Group are for-profit entities for the purpose of preparing the consolidated financial statements.

On 6 June 2005, CHL acquired Charter Hall Holdings Pty Ltd (CHH). Under the terms of AASB 3 *Business Combinations*, CHH was deemed to be the accounting acquirer in this business combination. This transaction was therefore accounted for as a

reverse acquisition under AASB 3. Accordingly, the consolidated financial statements of the Group have been prepared as a continuation of the consolidated financial statements of CHH. CHH, as the deemed acquirer, acquisition accounted for CHL as at 6 June 2005.

Group references in accounting policies

The accounting policies apply to both the Group and Charter Hall Property Trust Group unless otherwise stated in the relevant policy.

Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Assets held for sale – measured at the lower of carrying amount and fair value less costs to sell;
- Investment properties – measured at fair value;
- investments in associates at fair value through profit or loss – measured at fair value;
- investments in financial assets held at fair value – measured at fair value; and
- derivative financial instruments.

(c) Principles of consolidation

(i) Controlled entities

The consolidated financial statements of the Charter Hall Group and the Charter Hall Property Trust Group incorporate the assets and liabilities of all controlled entities as at 30 June 2022 and their results for the year then ended.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

(ii) Investments in associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for in the consolidated balance sheet at either fair value through profit or loss or by using the equity method. On initial recognition, the Group elects to account for

32 Summary of significant accounting policies continued

investments in associates at either fair value through profit or loss or by using the equity method based on assessment of the expected strategy for the investment.

Under the equity accounted method, the Group's share of the associates' post acquisition net profit after income tax expense is recognised in the consolidated statement of comprehensive income. The cumulative post-acquisition movements in results and reserves are adjusted against the carrying amount of the investment. Distributions and dividends received from associates are recognised in the consolidated financial report as a reduction of the carrying amount of the investment.

Investments in associates at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income.

(iii) Joint arrangements

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the consolidated financial statements.

Joint ventures

Interests in joint ventures are accounted for using the equity method, with investments initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been aligned where necessary to ensure consistency with the policies adopted by the Group.

(iv) Changes in ownership interests

When the Group ceases to equity account for an investment because of a loss of joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of

subsequently accounting for the retained interest as a joint venture entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group.

If the ownership interest in a joint venture entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

(d) Foreign currency translation

(i) Functional and presentation currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is CHL's and CHPT's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Foreign currency translation

On consolidation, exchange differences arising from the translation of borrowings, and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

(e) Revenue recognition

The amount of revenue recognised in each period is based on the delivery of performance obligations and when control has been transferred to customers in accordance with the principles set out in AASB 15. Where the Group enters into contracts with multiple service components, judgement is applied to determine whether the components are:

- *distinct* – accounted for as separate performance obligations;
- *not distinct* – combined with other promised services until a distinct bundle is identified; or

32 Summary of significant accounting policies continued

- *part of a series* of distinct services that are substantially the same and have the same pattern of transfer to the customer.

For each performance obligation identified, it is determined whether revenue is recognised at a point in time or over time. Revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits provided over the life of a contract as the services are performed;
- the customer controls the asset that the Group is creating or enhancing; or
- the Group's performance does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date.

At contract inception, the Group estimates the consideration to which it expects to be entitled and has rights to receive under the contract. Variable consideration, where the Group's performance could result in further revenue, is only included to the extent that it is highly probable that a significant reversal of revenue recognised will not occur.

In assessing the amount of consideration to recognise, key judgements and assumptions are made on a forward-looking basis where required.

To the extent revenue has not been received at reporting date, a receivable is recognised in the consolidated balance sheet.

Investment Management revenue

Fund management fees are received for performance obligations fulfilled over time with revenue recognised accordingly. Fund management fees are determined in accordance with relevant agreements for each fund, based on the fund's periodic (usually monthly or quarterly) Gross Asset Value (GAV).

Generally, invoicing of funds for management fees occurs on a quarterly basis and are receivable within 21 days.

Performance fees are for performance obligations fulfilled over time and for which consideration is variable. The fees for each applicable fund are determined in accordance with the relevant agreement which stipulates out-performance of a benchmark over a given period.

Performance fee revenue is recognised to the extent that it is highly probable that the amount of variable consideration recognised will not be significantly reversed when the uncertainty is resolved. Detailed calculations and an assessment of the risks associated with the recognition of the fee are completed to inform the assessment of the appropriate revenue to recognise.

Invoicing of funds for performance fees occurs in accordance with the contractual performance fee payment date.

A contract asset is recognised in the consolidated balance sheet at each reporting date in line with revenue recognised where the right to receive consideration remains conditional on future performance.

Transaction fee revenue is recognised at a point in time upon fulfillment of the performance obligation. This is usually the point at which control of the underlying asset being transacted has transferred to the buyer.

Transaction fees are invoiced when the performance obligation has been fulfilled and are receivable within 21 days.

Property Services revenue

Property services primarily include property management, development management, leasing, facilities and project management. Revenue is recognised either over time or at a point in time depending on the terms of the specific agreement for each type of service. Invoicing of funds for property services fees occurs on a monthly or quarterly basis and are receivable within 21 days.

Recovery of property and fund-related expenses revenue

Accounting, marketing and property management services provided to managed funds are charged as an expense recovery. Revenue is recognised over time as the performance obligations are fulfilled. Invoicing of funds for expense recoveries occurs on a monthly or quarterly basis depending on the recovery type and are receivable within 21 days.

Development revenue

Where Charter Hall has control of the underlying asset, revenue from the sale of development assets is recognised when control has been transferred to the customer. Where development assets have been recognised in relation to the enhancement of an asset controlled by the customer, revenue from the realisation of the development costs are recognised over time in accordance with the performance obligations of the contract.

Revenue is calculated by reference to the total consideration expected to be received in exchange for fulfilling the performance obligations under the contract. Any variable consideration is constrained to the amount that is highly probable to not significantly reverse. Revenue is recognised based on the most appropriate method that depicts the transfer of goods and services to the customer, generally the 'cost to cost' method.

A development asset is recognised in the consolidated balance sheet at each reporting date in line with revenue recognised where the right to receive consideration remains conditional on future performance.

Proceeds from the sale of development assets are invoiced and receivable in accordance with the relevant terms of the contract.

(f) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

Liabilities for other employee entitlements which are not expected to be paid or settled within 12 months of reporting date are accrued in respect of all employees at present values of future amounts expected to be paid. Expected future payments are

32 Summary of significant accounting policies continued

discounted using a corporate bond rate with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

Contributions to employee defined contribution superannuation funds are recognised as an expense as they become payable.

(iv) Bonus plans

Charter Hall recognises a liability and an expense for amounts payable to employees. Charter Hall recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

- (a) when the Group can no longer withdraw the offer of those benefits; and
- (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(g) Development assets

Costs incurred in fulfilling a development contract with a customer are recognised as a development asset.

Where Charter Hall has control of the asset, development costs are recorded at the lower of cost and net realisable value.

Where Charter Hall has incurred costs in relation to the enhancement of an asset controlled by the customer, a development contract asset is recognised in the consolidated balance sheet where the right to receive consideration remains conditional on future performance. Development assets are recorded at the lower of cost or the total consideration expected to be received less the total costs expected to be recognised as an expense. Where consideration is received in excess of revenue recognised, a development liability will be recognised.

Development assets are classified as non-current where the group is not contractually entitled to payment within 12 months from balance date.

(h) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of producing rental income, including properties that are under construction for future use as investment properties.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the investment properties are stated at fair value. Fair value of investment property is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best

evidence of fair value is given by current prices in an active market for similar property in the same location and condition. Gains and losses arising from changes in the fair values of investment properties are included in the consolidated statement of comprehensive income in the year in which they arise.

At each balance date, the fair values of the investment properties are assessed by the Responsible Entity with reference to independent valuation reports or through appropriate valuation techniques adopted by the Responsible Entity. Further information relating to valuation techniques can be found in Note 22(d).

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the consolidated statement of comprehensive income within net fair value gain/(loss) on investment property.

The carrying amount of investment properties recorded in the consolidated balance sheet takes into consideration components relating to lease incentives, leasing costs and fixed increases in operating lease rentals in future years.

(i) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

– Furniture, fittings and equipment	3 to 10 years
– Fixtures	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income.

(j) Assets held for sale

Non-current assets or disposal groups are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as financial assets and investment property that are carried at fair value.

32 Summary of significant accounting policies continued

Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(k) Impairment of non-monetary assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment in prior years are reviewed for possible reversal of the impairment at each reporting date.

(l) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, any non-controlling interest in the acquiree is recognised either at fair value or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the acquirer's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(m) Financial Instruments

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for expected credit losses. Trade receivables are due for settlement no more than 21 days from the date of recognition. Expected credit losses in relation to trade receivables are reviewed on an ongoing basis.

(ii) Other financial assets

Classification

The Group classifies its other financial assets as being measured either:

- at fair value through other comprehensive income or through profit or loss; or
- at amortised cost.

The means by which the assets are measured depends upon how they are managed and the contractual terms of the cash flows.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Presently all the Group's debt instruments are classified under amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(iii) Impairment

Trade receivables

For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which requires the use of the lifetime expected credit loss provision for all trade receivables from initial recognition of the receivables.

Any impairment loss is recognised through the consolidated statement of comprehensive income.

32 Summary of significant accounting policies continued

Debt instruments

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(iv) Derivatives and hedge accounting

The Group uses derivatives to hedge its exposure to interest rates and foreign currency on borrowings. Derivative financial instruments are measured and recognised at fair value on a recurring basis.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either fair value hedges or cash flow hedges.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Group's derivatives in place as at 30 June 2022 qualified as fair value and cash flow hedges under AASB 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and these relationships are therefore treated as continuing hedges.

Fair value hedges that qualify for hedge accounting

The gain or loss relating to interest payments on interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs. Changes in the fair value of derivative hedging instruments and the hedged fixed rate borrowings attributable to interest rate risk are recognised within 'Net gains/(losses) from derivative financial instruments'. The gain or loss relating to the ineffective portion is also recognised in profit or loss within 'Net gains/(losses) from derivative financial instruments'.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives is recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'Net gains/(losses) from derivative financial instruments'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast transaction that is hedged takes place). The gain or loss relating to the effective portion of cross currency interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within 'Finance costs'.

Derivatives that do not qualify for hedge accounting

For derivative instruments that do not qualify for hedge accounting, changes in the fair value of the derivative instrument are recognised immediately in profit or loss.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at

amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down unless there is an effective fair value hedge of the borrowings, in which case a fair value adjustment will be applied based on the mark to market movement in the benchmark component of the borrowings and this movement is recognised in profit or loss. If the facility has not been drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

Borrowing costs associated with the acquisition or construction of a qualifying asset, including interest expense, are capitalised as part of the cost of that asset during the period that is required to complete and prepare the asset for its intended use. Borrowing costs not associated with qualifying assets are expensed.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

(p) Comparative information

Where necessary, comparative information has been adjusted to conform with changes in presentation in the current year.

(q) Rounding of amounts

Under the option provided by ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the 'rounding off' of amounts in the financial statements, amounts in the Company and the Trust's consolidated financial statements have been rounded to the nearest hundred thousand in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Directors' declaration to Securityholders

For the year ended 30 June 2022

In the opinion of the Directors of Charter Hall Limited (Company), and the Directors of the Responsible Entity of Charter Hall Property Trust (Trust), Charter Hall Funds Management Limited (collectively referred to as the Directors):

- (a) the financial statements and notes of Charter Hall Limited and its controlled entities including Charter Hall Property Trust and its controlled entities (Charter Hall Group) and Charter Hall Property Trust and its controlled entities (Charter Hall Property Trust Group) set out on pages 84 to 135 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of Charter Hall Group's and Charter Hall Property Trust Group's financial positions as at 30 June 2022 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that both Charter Hall Limited and the Charter Hall Property Trust will be able to pay their debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 30 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 30.

Note 32(b) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Group CEO and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.



David Clarke

Chair

Sydney

25 August 2022



Independent auditor's report

To the stapled security holders of Charter Hall Limited and Charter Hall Property Trust

Report on the audit of the financial reports

Our opinion

In our opinion:

The accompanying financial reports of Charter Hall Limited and its controlled entities and Charter Hall Property Trust and its controlled entities (together "Charter Hall Group") and Charter Hall Property Trust and its controlled entities (together "Charter Hall Property Trust Group") are in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Charter Hall Group's and the Charter Hall Property Trust Group's financial positions as at 30 June 2022 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Charter Hall Group and the Charter Hall Property Trust Group financial reports comprise:

- the consolidated balance sheets as at 30 June 2022
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statement of changes in equity – Charter Hall Group for the year then ended
- the consolidated statement of changes in equity – Charter Hall Property Trust Group for the year then ended
- the consolidated cash flow statements for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration to securityholders.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial reports* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, ABN 52 780 433 757
 One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
 T: +61 2 8266 0000, F: +61 2 8266 9999
 Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
 T: +61 2 9659 2476, F: +61 2 8266 9999

Liability limited by a scheme approved under Professional Standards Legislation.



Independence

We are independent of the Charter Hall Group and the Charter Hall Property Trust Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial reports are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial reports as a whole, taking into account the geographic and management structure of the Charter Hall Group and the Charter Hall Property Trust Group, their accounting processes and controls and the industry in which they operate.

The Charter Hall Group comprises Charter Hall Limited and the entities it controlled at year end or from time to time during the financial year and includes Charter Hall Property Trust and the entities it controlled at year end or from time to time during the financial year. The Charter Hall Property Trust Group comprises Charter Hall Property Trust and the entities it controlled at year end or from time to time during the financial year.



Materiality

- For the purpose of our audit of Charter Hall Group and Charter Hall Property Trust Group we used overall materiality of \$27.1 million, which represents approximately 5% of Charter Hall Group's operating earnings.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.



- We chose operating earnings (an adjusted profit metric) as the benchmark because, in our view, it is a generally accepted industry metric against which the performance of Charter Hall Group is regularly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where Charter Hall Group and Charter Hall Property Trust Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We, as the group audit team, identified separate components of Charter Hall Group and Charter Hall Property Trust Group representing individually significant investments. Component audit teams assisted the group engagement team to perform an audit of those components.
- At both the Charter Hall Group and Charter Hall Property Trust Group level, audit procedures were performed over group transactions and financial report disclosures.
- The work performed by component audit teams, together with the additional audit procedures performed at the Charter Hall Group and Charter Hall Property Trust Group level provided us with sufficient evidence for our opinion on the financial reports as a whole.
- As part of our audit, we also considered the potential impact of climate change on our risk assessment. We made enquiries of management to develop an understanding of the process that they adopted to assess the extent of the potential impact of climate change risk on the financial reports. We considered management's progress in developing its assessment, and in particular the assessment of the carrying value of investments accounted for using the equity method.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial reports for the current period. The key audit matters were addressed in the context of our audit of the financial reports as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of investments accounted for using the equity method (Charter Hall Group and Charter Hall Property Trust Group) (Refer to notes 2 and 3)</p> <p>Charter Hall Group and Charter Hall Property Trust Group invest in both Funds Management and Property Investment entities, including certain underlying funds managed by Charter Hall Group.</p>	<p>Our audit procedures included evaluating the design of relevant controls relating to Charter Hall Group's and Charter Hall Property Trust Group's equity accounted investments process.</p> <p>To assess the carrying amount of investments accounted for using the equity method, our audit included the following audit procedures, amongst others:</p>



Key audit matter	How our audit addressed the key audit matter
<p>These funds comprise listed and unlisted funds which invest across a range of office, industrial, retail, social infrastructure and diversified property portfolios.</p> <p>These investments are typically classified as associates or joint ventures as the investor is considered to have significant influence or joint control.</p> <p>Investments in associates and joint ventures contribute a significant proportion of total income and total assets.</p> <p>In accordance with Australian Accounting Standards, interests in associates and joint ventures, need to be assessed for indicators of impairment at the reporting date. If indicators of impairment exist, the recoverable amount for each investment needs to be estimated. These assessments involve significant judgements in estimating future cash flows and the rate at which they are discounted and in evaluating fair value less costs to sell.</p> <p>Given the significance of these investments to the results and consolidated balance sheets of Charter Hall Group and Charter Hall Property Trust Group, together with the extent of judgement involved in light of the continued impact and uncertainty of the current economic environment in which Charter Hall Group and Charter Hall Property Trust Group operated, we consider this to be a key audit matter.</p>	<ul style="list-style-type: none"> • Updating our understanding of market conditions relating to the investments and discussing with management the particular circumstances affecting the investments. • Reperforming the equity method of accounting calculations by reference to underlying investee financial information. • For a sample of material acquisitions made during the year, agreeing certain transaction details to appropriate source documents. • Evaluating the assessments made by Charter Hall Group and Charter Hall Property Trust Group of whether there were any indicators of impairment. • For investments with indicators of impairment our procedures included: <ul style="list-style-type: none"> • evaluating the appropriateness of impairment assessment methodology and significant assumptions applied in calculating the recoverable amounts of the relevant investments • performing testing over the mathematical accuracy of the underlying calculations . • Assessing the reasonableness of the relevant disclosures in the financial reports in light of the requirements of Australian Accounting Standards.
<p>Revenue recognition – performance fees (Charter Hall Group) (Refer to note 4)</p> <p>Australian Accounting Standards require variable revenue, such as performance fees, to be recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.</p> <p>We considered performance fees to be a key audit matter because of the:</p> <ul style="list-style-type: none"> • Estimation uncertainty associated with estimating the period remaining from balance sheet date to performance fee crystallisation date and determining the degree of probability of revenue reversal during that period, including potential and uncertain economic impacts of inflation and interest rates on future property valuations. 	<p>Our audit procedures included evaluating the design of relevant controls relating to the recognition and measurement of performance fee revenue.</p> <p>For a sample of funds with performance fees contracts, our procedures included the following:</p> <ul style="list-style-type: none"> • We assessed the appropriateness of revenue recognition against the requirements of Australian Accounting Standards (AASB15). • We evaluated the appropriateness of significant assumptions and data used to estimate the variable revenue in the context of Australian Accounting Standards and whether the judgements made in selecting them give rise to indicators of possible bias by Charter Hall Group. This included: <ul style="list-style-type: none"> o Agreeing the data in Charter Hall Group's calculations to source documents, where possible.



Key audit matter	How our audit addressed the key audit matter
<ul style="list-style-type: none"> the potential financial significance of performance fees to the Charter Hall Group results. 	<ul style="list-style-type: none"> Assessing the appropriateness of the key factors the Charter Hall Group considered to evaluate the probability of a revenue reversal by comparing significant assumptions to those available in the industry. Tested the mathematical accuracy, on a sample basis, of the performance fee calculations and assessed whether they were in accordance with the relevant agreements. Where a performance fee was paid during the year, we inspected evidence of payment. <p>Assessed the reasonableness of the disclosures in the financial report, including those related to estimation uncertainty, against the requirements of Australian Accounting Standards.</p>

Other information

The directors of Charter Hall Limited and the directors of Charter Hall Funds Management Limited, the responsible entity of Charter Hall Property Trust (collectively referred to as "the directors") are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial reports and our auditor's report thereon.

Our opinion on the financial reports does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial reports

The directors are responsible for the preparation of the financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial reports that give a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of the Charter Hall Group and the Charter Hall Property Trust Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless



the directors either intend to liquidate the Charter Hall Group and the Charter Hall Property Trust Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

A further description of our responsibilities for the audit of the financial reports are located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 53 to 80 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Charter Hall Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized, handwritten signature of PricewaterhouseCoopers in black ink.

PricewaterhouseCoopers

A stylized, handwritten signature of E A Barron in black ink.

E A Barron
Partner

Sydney
25 August 2022

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Securityholder analysis

Holding distribution

as at 18 August 2022

Range	Stapled securities held	% of issued stapled securities	No. of holders
100,001 and Over	444,060,561	93.88	59
50,001 to 100,000	2,910,008	0.62	41
10,001 to 50,000	7,869,813	1.66	413
5,001 to 10,000	5,468,878	1.16	764
1,001 to 5,000	9,785,276	2.07	4,211
1 to 1,000	2,902,663	0.61	7,705
Total	472,997,199	100.00	13,193
Unmarketable Parcels	0	0.00	0

Substantial Securityholder notices

as at 22 August 2022

Ordinary securities	Date of change	Stapled securities held	% securities held
KKR Entities	5 July 2022	28,140,643	5.95
Commonwealth Bank of Australia	1 July 2022	28,311,207	5.99
Superannuation and Investments HoldCo Pty Ltd	30 June 2022	28,140,653	5.95
Mitsubishi UFJ Financial Group, Inc.	26 May 2022	28,946,257	6.12
First Sentier Investors Holdings Pty Limited	25 May 2022	28,946,257	6.12
Cohen & Steers, Inc	29 March 2022	23,789,412	5.03
Blackrock Group	24 September 2020	23,402,834	5.02
The Vanguard Group, Inc	23 April 2019	47,641,144	10.23

Top 20 registered equity Securityholders

as at 19 August 2022

Rank	Name	A/C designation	Units	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		174,967,568	36.99
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		115,809,134	24.48
3	CITICORP NOMINEES PTY LIMITED		53,555,073	11.32
4	NATIONAL NOMINEES LIMITED		29,693,403	6.28
5	BNP PARIBAS NOMS PTY LTD	<DRP>	17,624,834	3.73
6	CITICORP NOMINEES PTY LIMITED	<COLONIAL FIRST STATE INV A/C>	16,096,894	3.40
7	BNP PARIBAS NOMINEES PTY LTD	<AGENCY LENDING DRP A/C>	7,584,219	1.60
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	<NT-COMNWLTH SUPER CORP A/C>	3,366,529	0.71
9	ANGUS DAVID ST JOHN PARADICE		2,577,172	0.54
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	A/C 2	2,498,745	0.53
11	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	<DRP A/C>	2,237,025	0.47
12	UBS NOMINEES PTY LTD		1,547,101	0.33
13	MR KEVIN PAUL BECK		1,325,156	0.28
14	NETWEALTH INVESTMENTS LIMITED	<WRAP SERVICES A/C>	1,209,154	0.26
15	BNP PARIBAS NOMS(NZ) LTD	<DRP>	1,155,740	0.24
16	PORTMIST PTY LIMITED / DAVID HARRISON		1,048,799	0.22
17	CERTANE CT PTY LTD	<CHARTER HALL PROP A/C>	915,144	0.19
18	ONE MANAGED INVESTMENT FUNDS LTD	<CHARTER HALL MAXIM PROPERTY SEC>	781,782	0.17
19	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	<NO 1 ACCOUNT>	760,191	0.16
20	TROY CHRISTOPHER ANGUS		566,357	0.12
Total			435,320,020	92.03
Balance of register			37,677,179	7.97
Grand total			472,997,199	100.00

Investor information

How do I invest in Charter Hall?

Charter Hall Group securities are listed on the Australian Securities Exchange (ASX: CHC).

Securityholders will need to use the services of a stockbroker or an online broking facility to invest in Charter Hall.

Where can I find more information about Charter Hall?

Charter Hall's website, www.charterhall.com.au contains extensive information on our Board and management team, corporate governance, sustainability, our property portfolio and all investor communications including distribution and tax information, reports and presentations. The website also provides information on the broader Charter Hall Group including other managed funds available for investment.

Can I receive my Annual Report electronically?

Charter Hall provides its annual report as a PDF, accessible on its website. You can elect to receive notification that this report is available online via your Investor Centre login.

How do I receive payment of my distribution?

Charter Hall Group pays its distribution via direct credit. This enables you to receive automatic payment of your distributions quickly and securely. You can nominate any Australian or New Zealand bank, building society, credit union or cash management account for direct payment by downloading a direct credit form using the Investor Login facility and sending it to Link Market Services. On the day of payment, you will be sent a statement via post or email confirming that the payment has been made and setting out details of the payment. The Group no longer pays distributions by cheque.

Can I reinvest my distribution?

When operating, the Distribution Reinvestment Plan (DRP) allows you to have your distributions reinvested in additional securities in Charter Hall, rather than having your distributions paid to you. The DRP is currently not available.

Do I need to supply my Tax File Number?

You are not required by law to supply your Tax File Number (TFN), Australian Business Number (ABN) or exemption. However, if you do not provide these details, withholding tax may be deducted at the highest marginal rate from your distributions. If you wish to provide your TFN, ABN or exemption, please contact Link Market Services on 1300 303 063 or your sponsoring broker. You can also update your details directly using the Investor Login facility on our website.

How do I complete my annual tax return for the distributions I receive from Charter Hall?

At the end of each financial year, we issue Securityholders with an Annual Taxation Statement. This statement includes information required to complete your tax return. The distributions paid in February and August are required to be included in your tax return for the financial year the income was earned, that is, the distribution income paid in August 2021 should be included in your 2021 financial year tax return.

How do I make a complaint?

Securityholders wishing to lodge a complaint should do so in writing and forward it to the Compliance Manager, Charter Hall Group at the address shown in the Directory. In the event that a complaint cannot be resolved within a reasonable timeframe (usually 45 days) or you are not satisfied with our response, you can seek assistance the Australian Financial Complaints Authority (AFCA), an external complaints resolution service that has been approved by ASIC. AFCA's contact details are below:

Australian Financial Complaints Authority

GPO Box 3
Melbourne VIC 3001

Phone 1800 931 678

Email info@afca.org.au

Web www.afca.org.au

Contact details

Registry

To access information on your holding or update/change your details including name, address, tax file number, payment instructions and document requests, contact:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Phone 1300 303 063 (within Australia)
+61 2 8280 7134 (outside Australia)

Email charterhall.reits@linkmarketservices.com.au

Web linkmarketservices.com.au

Investor Relations

All other enquiries related to Charter Hall Group can be directed to Investor Relations:

Charter Hall Group
GPO Box 2704
Sydney NSW 2001

Phone 1300 365 585 (within Australia)
+61 2 8651 9000 (outside Australia)

Email reits@charterhall.com.au

Web charterhall.com.au

Corporate directory

Registered Office

Level 20, No.1 Martin Place
Sydney NSW 2000

Phone +61 2 8651 9000

ASX code CHC

Directors

David Clarke (Chair), David Harrison, Karen Moses,
Greg Paramor AO, David Ross and Jacqueline Chow

Company Secretary

Mark Bryant

Auditor

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay, Barangaroo
Sydney NSW 2000

Important information

This Annual Report has been prepared and issued by Charter Hall Limited (ABN 57 113 531 150) and Charter Hall Funds Management Limited (ABN 31 082 991 786 AFSL 262861) (CHFML) as Responsible Entity of the Charter Hall Property Trust (together, the Charter Hall Group or the Group). The information contained in this report has been compiled to comply with legal and regulatory requirements and to assist the recipient in assessing the performance of the Group independently and does not relate to, and is not relevant for, any other purpose.

This report is not intended to be and does not constitute an offer or a recommendation to acquire any securities in the Charter Hall Group. This report does not take into account the personal objectives, financial situation or needs of any investor. Before investing in Charter Hall Group securities, you should consider your own objectives, financial situation and needs and seek independent financial, legal and/or taxation advice. Historical performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forward looking statements. However, any forward looking statements contained in this report are not guarantees or predictions of future performance and, by their very nature, are subject to uncertainties and contingencies, many of which are outside the control of the Group. Actual results may vary materially from any forward looking statements contained in this report. Readers are cautioned not to place undue reliance on any forward looking statements. Except as required by applicable law, the Group does not undertake any obligation to publicly update or review any forward looking statements, whether as a result of new information or future events.

The receipt of this report by any person and any information contained herein or subsequently communicated to any person in connection with the Charter Hall Group is not to be taken as constituting the giving of investment, legal or tax advice by the Charter Hall Group nor any of its related bodies corporate, directors or employees to any such person. Neither the Charter Hall Group, its related bodies corporate, directors, employees nor any other person who may be taken to have been involved in the preparation of this report represents or warrants that the information contained in this report, provided either orally or in writing to a recipient in the course of its evaluation of the Charter Hall Group or the matters contained in this report, is accurate or complete.

CHFML does not receive fees in respect of the general financial product advice it may provide; however, entities within the Charter Hall Group receive fees for operating the Charter Hall Property Trust in accordance with its constitution. Entities within the Group may also receive fees for managing the assets of, and providing resources to, the Charter Hall Property Trust. All information herein is current as at 30 June 2022 unless otherwise stated. All references to dollars (\$) or A\$ are to Australian Dollars unless otherwise stated.

Information regarding US Investors/US Persons:

Each person that holds Charter Hall Group securities that is in the United States (US) or is a US Person is required to be a Qualified Institutional Buyer/Qualified Purchaser (QIB/QP) at the time of the acquisition of any Charter Hall Group securities, and is required to make the representations in the confirmation letter or subscription agreement as of the time it acquired the applicable securities.

The securities can only be resold or transferred in a regular brokered transaction on the ASX in accordance with Rule 903 or 904 of Regulation S, where neither it nor any person acting on its behalf knows, or has reason to know, that the sale has been prearranged with a US Person, or that the purchaser is in the United States or a US Person (e.g. no prearranged trades ('special crossing') with US Persons or other off-market transactions). To the maximum extent permitted by law, the Charter Hall Group reserves the right to:

- (i) request any person that they deem to be in the United States or a US Person, who was not at the time of acquisition of the securities a QIB/QP, to sell its securities;
- (ii) refuse to record any subsequent sale or transfer of securities to a person in the United States or a US Person; and
- (iii) take such other action as it deems necessary or appropriate to enable the Charter Hall Group to maintain the exception from registration under Section 3(c) (7) of the Investment Company Act.

If you are not the beneficial owner of securities in the Charter Hall Group, you must pass this information to the beneficial owner of the securities.

