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To view our Corporate  
Governance Statement, go  
to [charterhall.com.au/about-  
us/corporate-governance](https://charterhall.com.au/about-us/corporate-governance)

With over 29 years' experience, Charter Hall Group (CHC or the Group) is one of Australia's leading fully integrated property groups.

With a reputation for resilience, we use our property expertise to access, deploy, manage and invest equity across the core sectors of office, industrial & logistics, retail and social infrastructure.

Our integrated offering and approach to partnership means that as both investor and manager, we can build value and deliver solutions designed for long term success, across market cycles.

Cover image:  
Wesley Place, 130 Lonsdale Street,  
Melbourne VIC

# Strategy

ALDI Distribution Centre,  
Prestons NSW



We use our property expertise to access, deploy, manage and invest in our core real estate sectors to create value and generate superior returns for customers.

## Access

Accessing equity from listed, wholesale and retail investors.

## Deploy

Creating value through attractive investment opportunities.

## Manage

Funds management, asset management, leasing and development services.

## Invest

Investing alongside our capital partners.

### 1 YEAR

Gross equity raised

**\$5.1bn**

Gross transactions

**\$8.3bn**

Funds under management (FUM)

**\$40.5bn**

↑33.2%

Increase in property investment (PI) to \$2.0bn

**\$184m**

↑10.0%

Acquisitions

**\$7.3bn**

Properties

**1,104**

Total property investment return

**10.0%**

Divestments

**\$1.0bn**

### 5 YEARS

Gross equity raised

**\$14.0bn**

Gross transactions

**\$25.8bn**

FUM growth

**\$27.0bn**

Increase in PI

**\$1.1bn**

↑114.8%

Acquisitions

**\$19.9bn**

Total property investment return

**13.1%**

Divestments

**\$5.8bn**

# Purpose

At Charter Hall we're all about achieving better futures and mutual success. It's a philosophy that underpins our operating model and our commitment to all our stakeholders.



## Our tenants

We're always looking for new ways to help businesses grow. Working in close partnership with our tenants, we seek out innovative solutions to fulfil their exact needs.

As cross-sector specialists, we think laterally to solve a business' holistic needs, providing an integrated solution to their office, warehousing and distribution requirements.

Our commitment to our tenants runs deep, and we continue to challenge ourselves to go above and beyond in our service.

## Our investors

We work harder to create stable investments with greater potential to generate consistent, superior returns.

We invest alongside our capital partners, because we believe that fundamental to long-term success, is mutual success. Our focus on quality, well located assets with long-term leases, together with our ability to unlock hidden value, creates a balance between stability, returns and growth.

## Our people

We have a genuine desire to see people perform at their best and advance their careers. We actively leverage our unique operating model to give people learning opportunities that accelerate their growth and potential. Our open, flexible workplace fosters a collaborative environment and, together with our many benefits, enables people to flourish.

## Our community

Every year we do more to strengthen communities. Our philosophy of mutual success is the reason why we were the first Australian property company to join the international Pledge 1% movement. Through our long-standing commitment to Pledge 1% we give our spaces, profits and our people's time to support vulnerable Australians.

## Our environment

We put our environmental commitment into action. Our climate resilience strategy extends across our diversified business model and supports our long-term investments to meet future challenges. We've reinforced our standing as the company with Australia's largest Green Star rated portfolio, and are investing in renewables and managing down all forms of waste to reduce our footprint.

# FY20 performance highlights<sup>1</sup>

## Group returns

Operating earnings (post tax) and OEPS growth

**\$323m**  
↑46.3%

## Property investments

Property investment portfolio

**\$2.0bn**  
↑10.0%

## Funds management

Funds under management (FUM)

**\$40.5bn**  
↑33.2%

## Investment capacity

Group investment capacity<sup>5</sup>

**\$5.0bn**

Distributions per security

**35.7cps**  
↑6.0%

Total property investment return<sup>3</sup>

**10.0%**

Gross transactions

**\$8.3bn**

## Balance sheet

NTA growth

**9.6%**

NTA per security

**\$4.28**

Property investment yield

**6.2%**

Property funds management yield<sup>4</sup>

**10.5%**

Balance sheet gearing

**0%**

Total platform return<sup>2</sup>

**18.8%**

Look-through gearing

**29.1%**



Woolworths  
Distribution Centre,  
Dandenong South  
VIC

1. Figures and statistics are for the 12 months to 30 June 2020 unless otherwise stated.
2. Total platform return is calculated as growth in net tangible assets (NTA) per security plus distributions per security divided by the opening NTA per security for the 12 months to 30 June 2020.
3. Total property investment 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 2020. This excludes investments in new vehicles held for less than a year and investments in Direct funds.
4. Property funds management (PFM) yield is calculated as PFM 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 2020.
5. Investment capacity calculated as cash plus undrawn debt facilities for CHC and the funds management platform. At 30 June 2020, cash was \$1.4bn.



**David Harrison**  
Managing Director  
& Group CEO  
Left

Rising to the  
challenge,  
together

“

A strong and adaptable strategy, clear purpose, deep values and, above all, the trust and partnerships we have built with our people, investors, customers and communities, have seen us stay the course in a year that has tested all Australians.

**David Clarke**  
Chair  
Right

## Chair letter

### Dear Securityholder

This has been a year of challenges for business and society. With a backdrop of weak economic growth, bushfires and the onset of COVID-19, we have all been forced to adapt and respond to an uncertain external environment. Against this backdrop, I am pleased to report that Charter Hall has enjoyed strong momentum by focusing on its strategic pillars of access, deploy, manage, and invest.

Our approach of partnering with our tenants to meet their property needs continues to deliver results for securityholders, with operating earnings per security (OEPS) growth of 46% over the previous financial year. Annual dividend growth continued with an increase of 6% over FY19. Our focus on delivering resilient and growing income streams for our investors has driven the performance of our funds and continues to attract investor equity, with \$5.1 billion of equity inflows for the year.

While this annual report measures our performance for the year to 30 June 2020, we see long term performance as the true test of success. This is Charter Hall's 15th year as a listed company and in that time, we have delivered securityholders a total shareholder return of 15.7% return per year on average.

### COVID-19

Working in partnership dominated our approach to the challenges presented by COVID-19. With the onset of the pandemic, we moved quickly and decisively to establish working from home routines for our people in non-frontline roles. We also launched a number of wellbeing initiatives to support our people to realise their individual potential, work productively and contribute to our community. So, I was particularly pleased to see that 87% of our people reported “good” or “excellent” levels of wellbeing. Recognising too that we needed to partner with our customers to resolve issues that affected us all, our teams introduced new hygiene regimes, changed our environments to accommodate social distancing and communicated tirelessly with our customers to keep them updated.

### Looking Ahead

Taking an active approach to partnership builds trust and resilience across our many relationships. We work with some of Australia's biggest corporates and our relationships are multi-levelled and multi-sectored.

Our current portfolio comprises more than 1,300 properties, with over 4,000 tenancies, delivering over \$2.1 billion of net rental income a year.

Today, with your support, we manage and invest in one of Australia's leading real estate platforms. Our funds under management (FUM) of \$41.8 billion as at 20 August 2020 represents the largest sector diversified commercial property portfolio in Australia.

Entrepreneurial spirit runs deep within Charter Hall. We continue to be an active market participant, investing alongside our capital partners to access attractive investment opportunities. Our focus on high quality assets leased to quality tenants on long weighted average leases is unchanged. These assets are the most enduring in value and underpin the resilience of our portfolios.

### Strengthening our diversity

The range and extent of our activities requires many inputs to be effective and competitive. We depend on talented people and their different experiences, backgrounds and perspectives to drive our growth and sustain our future. As a Board and management team, we realise the importance of creating equity, removing barriers to inclusion, and genuinely engaging with internal and external communities to drive long-term organisational and systemic change.

This year, we were recognised by the Women's Index (Future Super) as one of the leading ASX listed companies to demonstrate gender equality. ▶

We continue our involvement with the Property Council of Australia's 500 Women in Property. We now have 30.4% female participation in senior executive positions and 54.6% across our workplace.

Through our membership of Pride in Diversity and the property industry initiative Interbuild, we have also continued to grow our support for LGBT+ employees nationally.

The new ways of working emerging as a result of COVID-19 underline the importance of ensuring all our people feel supported and valued, and that they see a place and a future for themselves at Charter Hall.

### Serving our customers and securityholders

As your Board, we focus on providing clear governance and oversight to assist management in continuing to deliver for stakeholders. Our role is to serve you and to maintain and build trust. Embedding a high standard of ethics into our business and building belief and goodwill in the Group, and the people who manage your investment is paramount.

Despite an uncertain external environment in FY20, I am pleased to report that Charter Hall continues to gain momentum in the business. In particular, the record equity flows demonstrate our customer centric approach continues to be supported by our investor customers. Additionally, the repeat tenant customer metrics, retention rates and customer interviews suggest the Group has an equal focus on both tenant and investor customers.

One of our roles as your Board is to ensure that the team remains focused on delivering against the Group's strategy, whilst ensuring all stakeholders are fairly treated and the culture of "doing the right thing" permeates throughout the Group. While our results demonstrate our performance focus, front and centre for us is our role as guardians of other people's capital over the long term. That's why our purpose, developed with input from investors, tenants and employees, is about achieving better futures and mutual success through bringing aspirations to life.

The Charter Hall Board continues to comprise a majority of independent directors, in line with best practice. All Directors actively engage in the business to ensure the continued execution of the Group strategy. Our Non-Executive Directors apply a diverse mix of skills and expertise to provide a strong overall contribution to the success of the Group. This approach puts the Group in a resilient position to pursue further growth.

### Our climate resilience approach

The built environment in Australia represents 23% of the country's carbon emissions, so the environmental impacts of what we do are potentially far reaching. This year, we have again stepped up our efforts to be a sustainable organisation. We now have 212 Green Star Performance ratings across the portfolio - maintaining Australia's largest Green Star footprint.

We continue to see improvements in our NABERS energy ratings across our sectors. This year we became the largest office portfolio to participate in the NABERS Sustainable Portfolios Index 2020. All our funds and 62 commercial assets are included in the Index, with our Charter Hall Long WALE REIT (CLW) placed in the top three portfolios.

Our values ensure we remain strong as we grow and nurture the business through this turbulent time of technological, environmental, community expectation and societal change.

**We have mapped our future against various climate scenarios and defined our pathway to net zero for Scope 1 and 2 emissions for the whole Group by 2030.**

Further, our industrial & logistics portfolio has committed to achieving net zero Scope 1 and 2 emissions by 2022.

We've increased our renewable energy footprint from 2.5MW in 2018 to 21MW of solar PV installed across the portfolio. Our retail power purchase agreements (PPAs) with Clean Peak Energy and Solgen will help the Group realise our short-term sustainability targets and contribute towards our longer-term aspirations. Last year, our retail team began an ambitious solar power and battery storage rollout plan that will over time see us generate 31,000MWh of 100% renewable energy across our retail centres. We now have first and second stage agreements in place for solar systems at 28 of our convenience-plus retail centres.

Our climate governance initiatives this year have also included developing a roadmap to align with the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD). This roadmap recognises that in order for us to deliver on our purpose of securing a better future for all, we have a responsibility to understand the potential impact of climate change and to take active, meaningful steps from Board level to mitigate the impact.

As a signatory to the United Nations Global Compact, we continue to engage in collaborative projects to advance the Sustainable Development Goals and make the UN Global Compact and its principles part of our strategy and culture.

This year, all our employees completed training in our obligations under the Modern Slavery Act and a survey of our priority 1 suppliers showed a strong understanding of the basic facts around modern slavery. Our Modern Slavery and Human Rights Working Group monitors our modern slavery and human rights risk.

### Our commitment to communities

The double impacts of the Australian bushfires and COVID-19 prompted us to step up our involvement with communities even further. Through our commitment to the philanthropic movement Pledge 1%, our people are heavily engaged in our communities. They contributed 2,000 hours in volunteering, and we donated over 45,000sqm in space, valued at \$1.9 million, for community use. We donated \$933,000 to assist communities, including \$500,000 for bushfire relief and long-term recovery.

Recognising that COVID-19 has put households under a lot of stress, we continued our support of social enterprises, including Two Good Co., which helps vulnerable women who have experienced domestic violence.

We also reviewed our community investment approach to ensure that we were continuing to engage with communities in the most effective ways. Through this review, we identified that creating inclusion through employment of vulnerable young Australians provides a pathway to address social issues impacting communities in which we operate. This will now be the focus of our community investment.

### Outlook

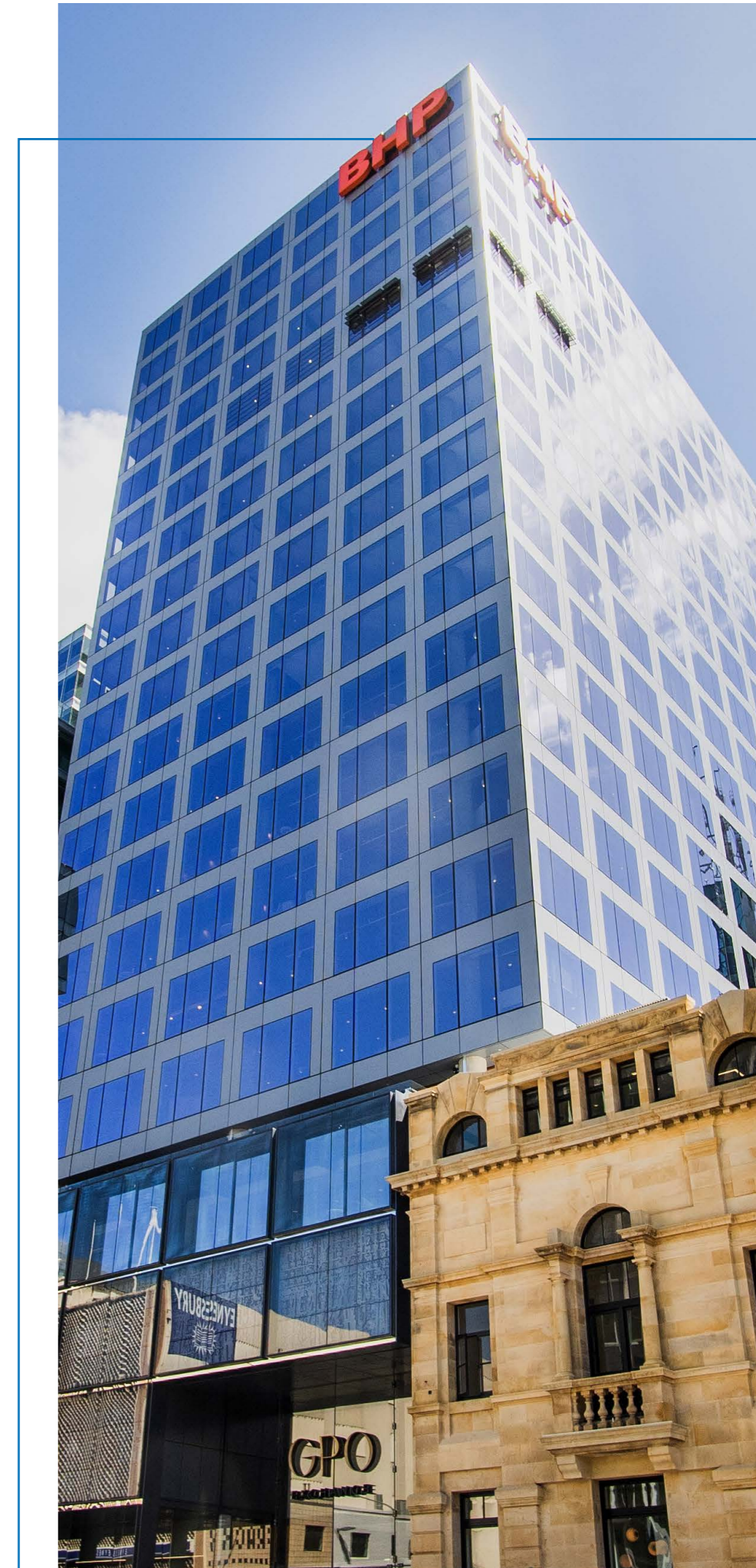
Economic growth in Australia faces a challenging future, with the impacts of COVID-19 set to continue to disrupt the outlook. Globally, the backdrop is similarly challenged, with lower interest rates expected in many geographies for an extended period.

We remain well positioned, with a leadership team focused on delivering results for our securityholders and capital partners. Across our platform we have high-quality assets and sector-leading lease expiry terms delivering resilient performance and shared growth. We have access to over \$5 billion in available investment capacity through existing cash balances, and available lines in our funds and on our balance sheet. This capacity provides a resilience against any short-term volatility, and an ability to move quickly to capture opportunities, while also providing a meaningful avenue for future growth.

I would like to take this opportunity to thank tenants, investors and securityholders for your support, my fellow Directors and the Executive Committee for your dedication and our people and their families for your passion, commitment and sacrifice throughout a very difficult year to deliver remarkable performances.

David Clarke  
Chair

GPO Exchange  
10 Franklin Street,  
Adelaide SA



# Managing Director & Group CEO letter



A year of continued momentum delivers strong growth despite the challenging environment.



## Dear Securityholder

Financial year 2020 will be remembered by many as the year COVID-19 arrived and the significant changes this brought. As for many organisations, FY20 was a year of two halves for Charter Hall, with the first half characterised by strong FUM growth driven by acquisitions and net valuation increases, with the second half seeing more subdued acquisition led growth and stabilising valuations as a result of COVID-19. Pleasingly overall, FY20 delivered \$10 billion of FUM growth, continued outperformance for our fund/partnership investors and strong earnings growth for shareholders.

Charter Hall has celebrated its 15th year as a publicly listed A-REIT where we have published investor returns since inception in the form of return on contributed equity (ROCE), which has outperformed all major indices.

**Net equity inflows are a sign of healthy support from investors, with FY20 providing a record \$5 billion of gross inflows and all our sources of capital contributing.**

In fact, over the past 10 years the growth in FUM from each equity source has been consistently averaging 20-25% across each segment, ranging from wholesale unlisted fund/partnership inflows, through to listed A-REIT inflows and our market leading Direct business.

As we celebrate our 15th year as a listed company, our focus remains on delivering sustainable growth for securityholders and replenishing capital within funds and partnerships so we continue to deploy through develop-to-core strategies and selective acquisitions. Ultimately, we will curate and enhance portfolios through diversification, WALE enhancement and tenant composition diversity and improvement.

## COVID-19

There is little doubt that COVID-19 has been a test for society and business this year. Charter Hall, along with other businesses, was forced to quickly adapt to the changing circumstances, enact our pandemic plan and move staff out of the offices to work from home. Fortunately, business continuity was not interrupted.

Charter Hall's strategy of investing in long WALE assets leads to defensive and resilient portfolios. While Charter Hall has not been immune to the effects of COVID-19, the impacts have been limited through our focus on assets with long leases to high quality tenants in predominantly defensive industries. Small to medium enterprises (SMEs) represent only 10.2% of tenants across the funds platform, a much smaller proportion than other listed REITs.

More broadly, COVID-19 has seen accelerating demand for access to industrial & logistics assets, something we have actively pivoted towards. Flows into Charter Hall Direct funds have averaged \$95 million a month during FY20, while wholesale pooled and partnership funds have also continued to see inflows. Momentum in sale and leaseback transactions continues to grow across corporate Australia and the Group is well positioned to take advantage of reduced buyer competition.

## Performance

I am pleased to report a 46.2% increase in OEPS to 69.3 cents per security (cps). Further, we have continued to generate leading REIT sector distribution per security growth of 6.0% to 35.7cps, whilst retaining a significant proportion of earnings via a distribution payout ratio of 52%.

Importantly, the growth in earnings also comes after-tax. When compared to peers on a pre-tax basis, we have delivered sector-leading 25.8% OEPS growth rate (CAGR) annually over the last five years. Tax paid also delivers valuable franking credits for our securityholders.

Over the 15 years since listing, Charter Hall has generated a Total Shareholder Return (TSR) of 15.7% compounded annually versus the A-REIT index S&P/ASX 200 (GICS) Property Accumulation Index return of 3.1% over the same time period.

## Quality property funds management portfolio

Our property funds management portfolio is well-diversified comprising over 1,300 properties, with over 4,000 tenancies delivering in excess of \$2.1 billion of net rental income. Group FUM WALE has increased to 8.6 years and the weighted average cap rate firmed to 5.27%, reflecting the high quality and low risk profile of our portfolio.

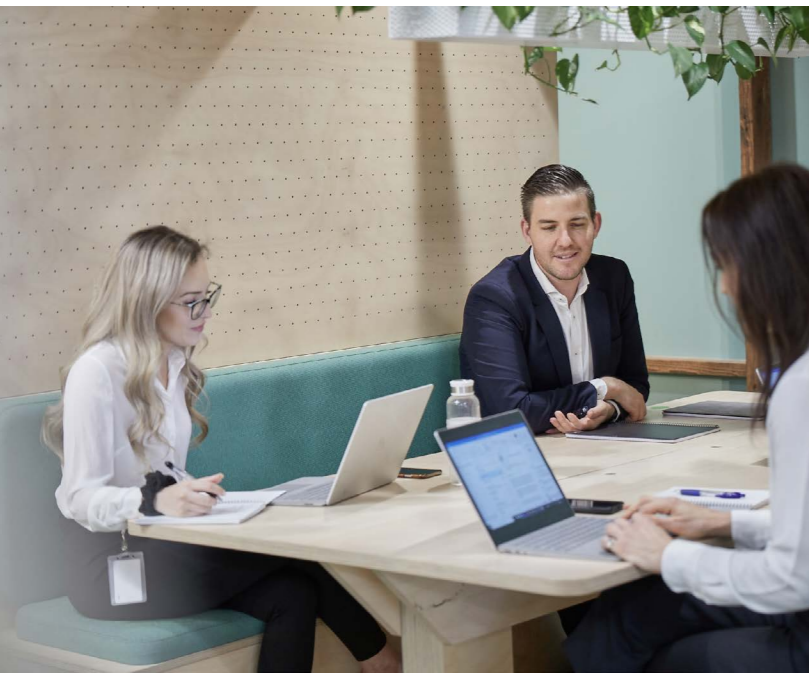
## Significant growth in funds under management

We have been active in acquiring and divesting assets during the period. Group FUM grew by a record \$10.1 billion to \$40.5 billion in 12 months, and a further \$1.3 billion since 1 July 2020.

Furthermore, this growth reflects the trust placed in us as custodians of capital to wisely manage and invest on behalf of our investor customers.

Developments continue to be a meaningful contributor, while our focus on driving total returns has seen net revaluations also lift significantly during the period. Development capex of \$1.3 billion and net revaluations of \$1.4 billion have been meaningful drivers of FUM growth. ▶





Chullora Logistics  
Park (Australia Post),  
Chullora NSW

## Transactions

Active deployment of capital is an integral part of our business. This year we completed \$8.3 billion of gross transactions. All our sectors have been busy, but activity has been led by our office and industrial & logistics sectors deploying capital after recent capital-raising activity.

## Active development pipeline

The Group continues to progress various developments across its portfolios, creating investment grade properties and adding significant value through enhancing income yield and total returns. Our development completions have added \$1.7 billion to FUM in the last 12 months. Our total development pipeline now stands at \$6.8 billion and continues to attract capital and deliver FUM growth.

The Group's \$2.3 billion industrial & logistics development pipeline is predominantly pre-leased to high quality tenants and will generate institutional quality long-leased assets for our funds. It will provide attractive incremental FUM growth and enhances our credentials to attract capital. Our office pipeline also continues to deliver attractive development returns and new office buildings. The recent completion of Wesley Place created a \$700 million premium grade office building, 100% pre-leased 12 months prior to completion, with an 11 year WALE leased to high quality tenants such as Telstra Super, Uniting Church, Vanguard, Commonwealth Government, CBUS and Australian Super.

## Valued relationships with our tenants

Across the platform we enjoy strong tenant customer relationships. We're always looking for new ways to support our tenants – actively partnering with them to provide innovative solutions to fulfil their exact needs.

In fact, 74% of our tenant customers lease more than one tenancy from us. That ability to partner with our tenants and meet their entire property needs drives tenant retention. Of the tenants who had a lease expiring with us in the past 12 months, 86.5% re-leased with us. Importantly, this benefits shareholders by producing earnings resilience across our property investment portfolio and also feeds back into transactions, with our significant sale and leaseback activity providing off-market opportunities to grow our funds.

## A 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. Our earnings here are characterised by the high quality of our tenants, the diversity of sectors, and the lack of concentration risk, or single asset exposure.

The portfolio has grown to \$2.0 billion, or 10% over the year, reflecting our on-going investment alongside our capital partners and growth in underlying asset values.

The portfolio has delivered an attractive 6.2% property investment yield, while there is also capacity for new investments from retained earnings and recycling co-investment stakes into new growth.

Occupancy is broadly stable, and through active asset management the property investment portfolio WALE has increased to 8.7 years. Our weighted average rent review remains attractive at 3.3% and the number of properties has increased significantly to over 1,000, largely reflecting our investment in the bp portfolio.

With our largest single asset exposure being 1.4% of the Group's balance sheet property investment portfolio and our top 10 assets only representing 7.4% of net income generated, we believe the Group's Property Investment portfolio is a very defensive, well diversified, core investment portfolio.

## Culture the bedrock of the business

This year, we continued to look for ways to improve wellbeing and resilience within our culture. We did this by increasing our diversity to give us a more informed and open minded workforce, and addressing pay equity gaps to ensure everyone feels valued. We empowered and encouraged those whose voices are most easily lost – the young, the vulnerable, our LGBTQ+ community – to feel safe and included.

Our employee engagement score for FY20 was higher than ever, which is especially pleasing given the challenges and disruptions that everyone has faced. The increase in engagement reinforces the importance of purpose and values in building a culture that nurtures people and helps them make the most of their potential. Our own surveys show that 97% of our people are proud to work here – a metric that the Executive Committee and I are very proud of.

We also pride ourselves on being an organisation that builds people up. Our particular way of developing talent – leveraged around our operating model, our purpose and our culture – is another reason people thrive at Charter Hall. This year we launched 'Learning', an integrated, personalised learning platform to help our people develop skills and capabilities aligned to their development goals and career aspirations. The new platform builds on all the experience-based opportunities we make available, enabling everyone to stay curious and continue to learn.

The platform really came into its own during lockdown, supporting us to be adaptable and efficiently embrace remote working, with valuable learning resources like creating a productive workspace and using videocalls, as well as providing self-care tips to nurture connection and support wellbeing.

## Important progress towards sustainability

We stepped up our journey towards being a role model in the Australian property sector for sustainability. This year, we not only established climate resilience metrics that will progress us towards a low carbon economy, we also analysed our business to find out how resilient we would be in the face of a range of climate scenarios. On that basis, we confirmed our pathway to net zero by 2030 and developed the roadmap to align with the recommendations of the Taskforce on Climate-related Financial Disclosure.

Setting up a cross-business Energy Committee saw us tighten our procurement processes and make significant savings on our utility costs – a good first step in our goal to commit to renewable energy by 2025.

We already have Australia's largest Green Star footprint. This year, we not only increased our Green Star and NABERS ratings across the Group, we also reduced our Scope 1 and 2 emissions by 8%, installed 21MW of solar power and our industrial & logistics portfolio committed to net zero Scope 1 and 2 emissions by as early as 2022. Our efforts were also recognised in the highly regarded NABERS Sustainable Portfolios Index which listed eight of our office funds in the top 11 in the Index.

## Outlook and guidance

Since year end, we have grown FUM from \$40.5 billion to \$41.8 billion. Post balance date and considering recent transaction activity, investment capacity stands at over \$5 billion, plus committed but undrawn equity commitments in wholesale funds and partnerships.

Based on no material change in current market conditions, FUM growth already achieved in FY21 and assuming the COVID-19 operating environment does not deteriorate markedly from here, FY21 guidance is for post-tax OEPS of 51.0cps. FY21 distribution per security guidance is for 6% growth over FY20.

My thanks, on behalf of the Executive Committee, to all our people for all 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 customers underpins our ability to continue to deliver returns for securityholders.

Finally, thank you to all our tenant and investor customers for continuing to be part of our Charter Hall Group community.

David Harrison  
Managing Director  
& Group CEO

# Capital sources

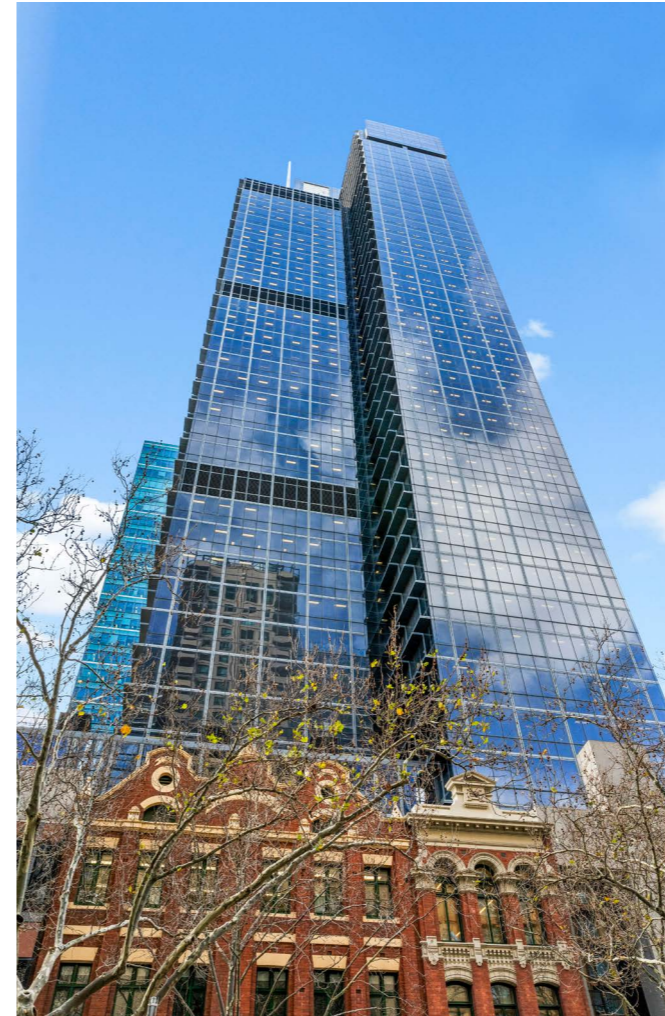
The diversity of our property portfolio and unique business model means we offer a wide range of investment options. Our approach to investment uses partnership and financial discipline to deliver stability and long-term growth.

## Wholesale Pooled and Partnerships

|                 |                |
|-----------------|----------------|
| FUM             | Gearing        |
| <b>\$26.3bn</b> | <b>32%</b>     |
| Occupancy       | WALE           |
| <b>97%</b>      | <b>7.7yrs</b>  |
| Cap rate        | CHC investment |
| <b>5.1%</b>     | <b>\$1.3bn</b> |

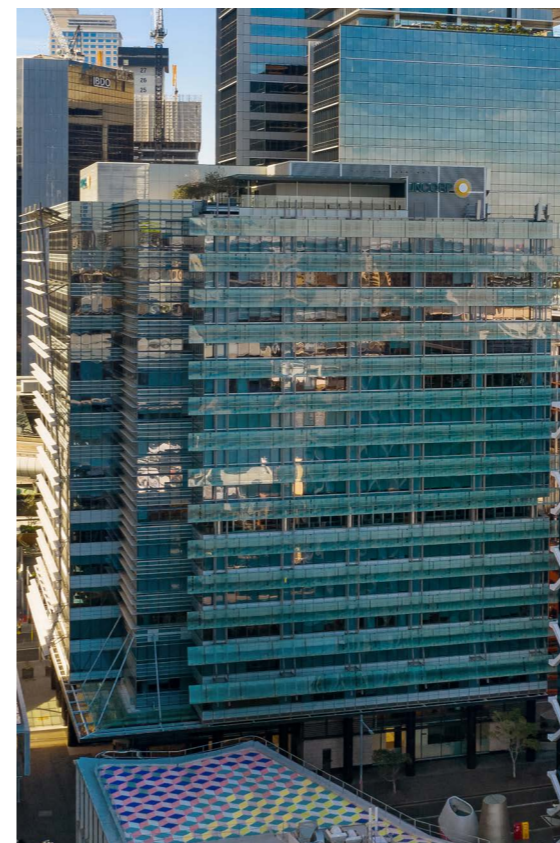


Clockwise from left to right:  
ALDI Distribution Centre, Dandenong VIC  
242 Exhibition Street, Melbourne VIC  
10 Shelley Street, Sydney NSW



## Listed

|                |                             |
|----------------|-----------------------------|
| FUM            | Gearing                     |
| <b>\$8.2bn</b> | <b>23%</b>                  |
| Occupancy      | WALE                        |
| <b>98%</b>     | <b>10.7yrs</b>              |
| Cap rate       | CHC investment <sup>1</sup> |
| <b>5.8%</b>    | <b>\$0.7bn</b>              |



## Charter Hall Direct

|                |                |
|----------------|----------------|
| FUM            | Gearing        |
| <b>\$6.1bn</b> | <b>28%</b>     |
| Occupancy      | WALE           |
| <b>98%</b>     | <b>9.0yrs</b>  |
| Cap rate       | CHC investment |
| <b>5.4%</b>    | <b>\$0.1bn</b> |

1. Held at accounting value not market value.



# Industrial & Logistics

“ A continued growing trend in online retail spending, accelerated significantly by restrictions on consumers during COVID-19, has increased the demand for our assets. With a large development book and national footprint, our local state-based teams are well positioned to partner with our tenant customers and meet their real estate needs.

**Richard Stacker**  
Industrial & Logistics CEO

47

Leasing deals executed across 769,000sqm

\$2.0bn

Gross transactions

34

Development projects

\$2.3bn

Completion value



**Clockwise from top:**  
Dandenong Distribution Centre, Dandenong South VIC  
Coles Distribution Centre, Adelaide SA  
Chullora Logistics Park, Chullora NSW

# Long WALE Retail

“ Our investments in long WALE retail assets provide greater diversification and earnings resilience for investors. We continued our momentum in securing significant off-market sale and leaseback portfolios from major corporates.

Avi Anger  
Fund Manager, Charter Hall Long WALE REIT

**346**

Number of properties

**\$1.4bn**

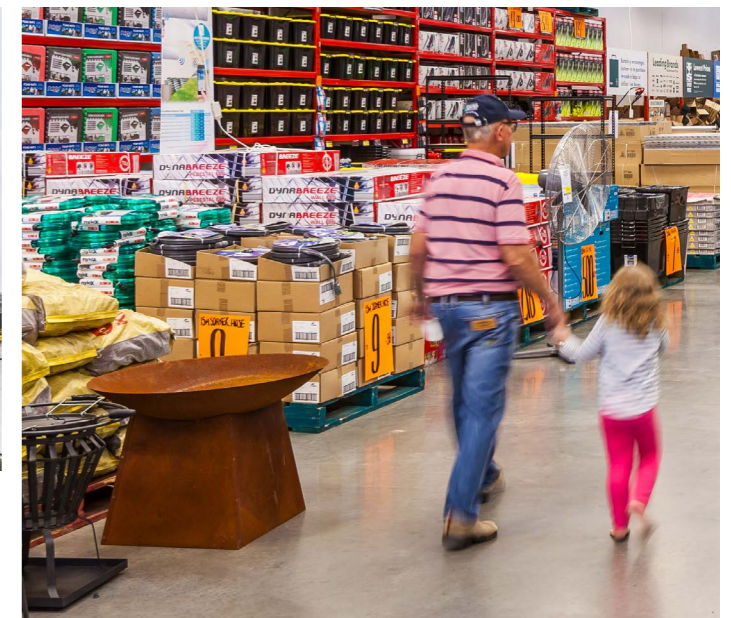
Gross transactions

**\$4.0bn**

FUM Value

**12.3yrs**

Weighted Average Lease Expiry (WALE)



**Top to Bottom:**  
Kawana Waters Hotel,  
Kawana Waters QLD  
  
Bunnings Warehouse,  
South Mackay QLD  
  
bp, Forestville NSW



# “ Office

As one of the largest owners and managers of CBD office properties, we partner with our tenant customers to create the best workplace environments and are driven to deliver enhanced value for our investors.

**David Harrison**  
Managing Director & Group CEO

**161**

Leasing deals executed across 157,000sqm

**\$3.6bn**

Gross transactions

**13**

Development projects

**\$4.2bn**

Completion value

**Clockwise from top left:**  
105 Phillip Street,  
Parramatta NSW

Wesley Place, 130 Lonsdale  
Street, Melbourne VIC

1 Nicholson Street,  
Melbourne VIC

12 Shelley Street,  
Sydney NSW

# “ Convenience Retail

As the leading owner and manager of property for convenience retailers, we've curated a portfolio that services local communities and delivers a resilient and growing income stream for investors. By partnering with leading convenience retailers to meet their property needs we continue to improve the resilience of income and extend our portfolio WALE.

**Greg Chubb**  
Retail CEO



**363** **\$0.5bn**

Leasing deals  
executed across  
56,000sqm

Gross  
transactions

**2** **\$0.1bn**

Development  
projects

Development spend

**9** Leases executed  
across

**15,000sqm**

to majors



**Top and bottom  
centre:**  
Pacific Square  
Shopping Centre,  
Maroubra NSW

**Bottom left  
and right:**  
Rockdale Plaza,  
Rockdale NSW



# Social Infrastructure

“ Our social infrastructure property portfolio facilitates the provision of essential social and community services for Australians. We’re the largest owner of early learning centres in the country, and despite the challenges of the COVID-19 pandemic, our listed REIT is well capitalised and well positioned to take advantage of opportunities that may emerge.

**Travis Butcher**  
Fund Manager, Charter Hall Social Infrastructure REIT

**146**

Leasing deals executed across 93,000sqm

**\$0.8bn**

Gross transactions

**24**

Development projects

**\$0.1bn**

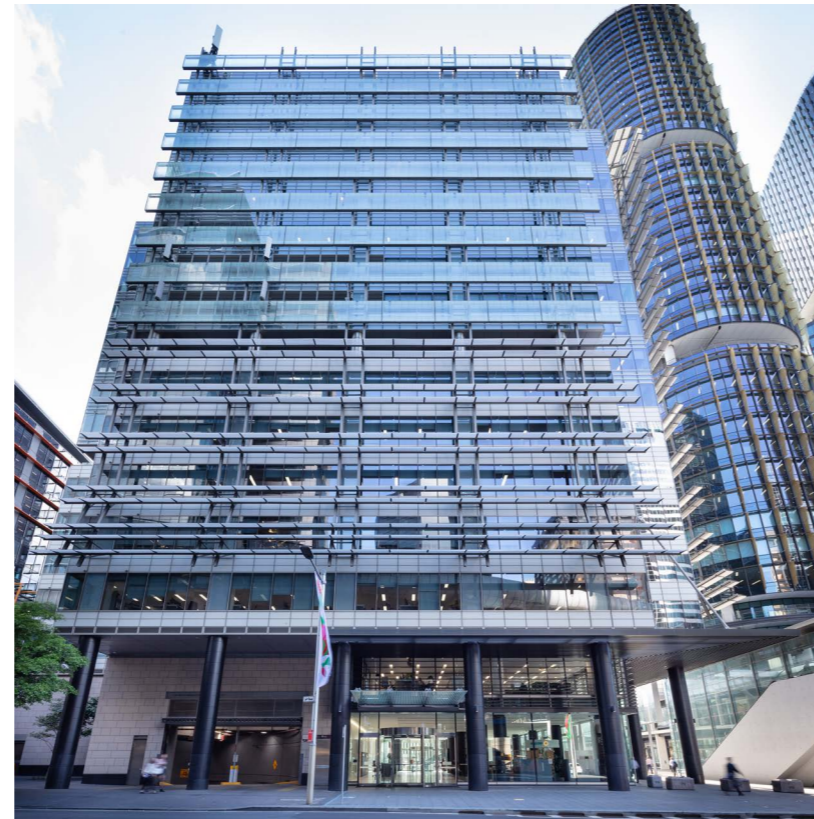
Development spend

**Images:**  
CQE Centre,  
Hawthorn VIC

# Direct

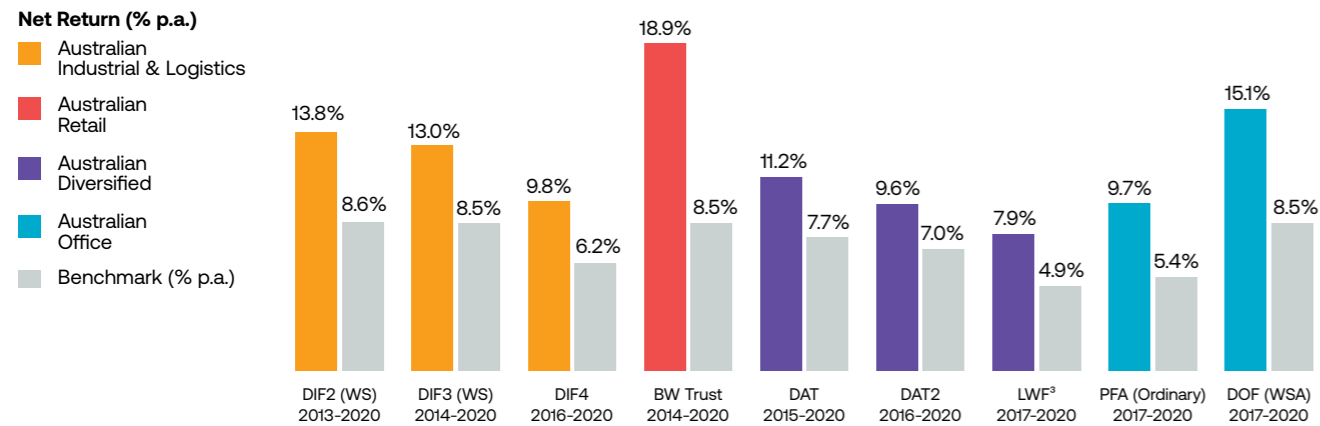
Charter Hall Direct is Australia's leading direct property fund manager. Featuring quality properties on long-term leases and delivering stable returns with the potential for capital growth, the Direct business performed strongly and enjoyed a record 12-month period of net inflows.

**Steven Bennett**  
Direct CEO



## Direct funds net return since inception<sup>1</sup>

The active Direct funds have returned 13.0% p.a, out performing the benchmark<sup>2</sup> by 4.4%.



1. Returns are inclusive of bonus units where applicable.  
2. Benchmark refers to the MSCI/IPD Unlisted Core Wholesale Property Fund Index at June 2020.  
3. LWF was previously known as DCSF, however was relaunched with a name change in September 2020.



**Top left:**  
10 Shelley Street,  
Sydney NSW

**Top right:**  
Bunnings Claremont,  
Perth WA

**Bottom:**  
Mainfreight  
Logistics Facility,  
Prestons NSW



# Sustainability

We've focused our environmental, social and governance initiatives on where we can have the greatest impact and influence – acting on climate change, increasing the strength of our communities and embedding a high standard of ethics in our actions.




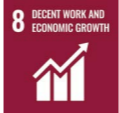

## Environment



## Social



## Governance

|  |   |  |  |
|--|---|--|--|
| <b>Our focus</b>                                       | Act on climate change   | Increase the strength of communities   | Embed a high standard of ethics into our actions   |
| <b>Alignment with UN Sustainable Development Goals</b> |   |   |   |
| <b>What's most important</b>                           | Climate resilience  | Strong communities   | Responsible business   |
| <b>How we're responding</b>                            | <p><b>Carbon:</b> Net zero Scope 1 and 2 emissions by 2030</p> <p><b>Energy:</b> Operational portfolio powered by renewable energy by 2030</p> <p><b>Adaptation:</b> Understanding and managing climate risk and adaptation</p> <p><b>Biodiversity:</b> Investing in a carbon offset project to offset operational and construction emissions by 2030</p> <p><b>Water:</b> Conserving water resources</p> <p><b>Waste:</b> Investigating circular economy to reduce waste and introduce closed loop practices</p> | <p><b>Community:</b> Pledging 1% to enable 500 meaningful employment outcomes for young people by 2030</p> <p><b>Customer:</b> Enabling enhanced customer satisfaction experience in our assets</p> <p><b>Employee:</b> Creating a diverse and inclusive culture and environment</p> <p><b>Health, safety and wellbeing:</b> Maintaining high standards of safety; championing mental, physical and social wellbeing and WELL environments</p> | <p><b>Ethics:</b> Strengthening business ethics and compliance</p> <p><b>Responsible supply chain:</b> Creating an integrated sustainable supply chain strategy across our business and ensuring we deliver on our commitment to the UN Global Compact</p> <p><b>Data security:</b> Actively protecting the privacy of individuals and companies</p> |
| <b>How we measure success</b>                          | <ul style="list-style-type: none"> <li>– Reduction of greenhouse gas emissions in line with our pathway to net zero</li> <li>– Increase in renewable energy uptake</li> <li>– Benchmarking against NABERS and Green Star standards</li> <li>– Percent of assets covered by climate adaptation plans</li> </ul>  | <ul style="list-style-type: none"> <li>– Pledge 1% metrics</li> <li>– Tenant and employee satisfaction</li> <li>– Health and safety data</li> <li>– Engagement data</li> <li>– Survey results on diversity and inclusion</li> <li>– WELL accreditation (leading global tool for advancing health and wellbeing in buildings)</li> </ul>  | <ul style="list-style-type: none"> <li>– Annual UN Global Compact</li> <li>– Inaugural Modern Slavery statement in FY21</li> <li>– Customer, investor and employee feedback</li> <li>– 100% employees undertake ethics compliance training</li> <li>– Alignment of data approach to ISO 27001 framework</li> </ul>                                   |

# FY20 sustainability highlights



## Environment

**21MW**

solar PV installed, with potential to generate 32GWh of energy, equivalent to **powering 2,150 homes**

**100%**

industrial & logistics portfolio committed to net zero Scope 1 and 2 emissions **by 2022**

**212**

Green Star Performance ratings across the portfolio – **maintaining Australia's largest Green Star footprint**

**9%**

**reduction** in water intensity compared to FY19<sup>1</sup>



## Social

**93%**

employee **engagement** score

**2,000**

hours of employee **volunteering**

**45k + sqm**

in Pledge 1% space, valued at **\$1.9 million** provided for community use

**\$933k**

donated to the community through our partnerships, including **\$500k for bushfire** relief and recovery



## Governance

**100%**

employees completed modern slavery **training**

**101**

priority 1 suppliers invited to complete a modern slavery **pre-qualification survey**<sup>2</sup>

**84%**

of priority 1 suppliers completed or commenced **pre-qualification survey**<sup>2</sup>

**TCFD**

**alignment** underway

1. Water only includes assets that are in operational control.

2. Source: Property Council of Australia, Informed 365 portal.

# Leadership

## Executive Committee

“

Powered by purpose,  
our executives create  
value and generate  
superior returns  
for our investors.

**David Harrison**  
Managing Director  
& Group CEO

From Left:  
Greg Chubb  
Steven Bennett  
Sheridan Ware  
David Harrison  
Russell Proutt  
Richard Stacker  
Natalie Devlin  
Sean McMahon



## Board of Directors



**David Clarke**  
Chair/Independent  
Non-Executive Director



**Anne Brennan**  
Independent  
Non-Executive Director



**Philip Garling**  
Independent  
Non-Executive Director



**David Ross**  
Independent  
Non-Executive Director



**Karen Moses**  
Independent  
Non-Executive Director



**Greg Paramor AO**  
Non-Executive Director



**David Harrison**  
Managing Director  
and Group CEO

See pages 48-50  
for Director bios.

## Executive Committee

### David Harrison

Managing Director  
& Group CEO  
BBus (Land Economics),  
FAPI, GDipAppFin  
See page 49.

### Greg Chubb

Retail CEO  
BBus (Land Economics), FAPI

Greg is Fund Manager of the Charter Hall Retail REIT and Charter Hall's Retail CEO, having joined the Group in 2014 with 30 years' property market experience. Greg is responsible for all management aspects of the retail funds management platform to deliver value creation within the retail portfolio and optimise returns for our investors.

Prior to joining Charter Hall, Greg was the Property Director at Coles Supermarkets Australia and Managing Director and Head of Retail for Sandalwood/Jones Lang LaSalle in Greater China. Greg has also held executive leadership roles at Mirvac and Lendlease.

Greg holds a Bachelor of Business Degree (Land Economics) from the University of Western Sydney, is a Fellow of the Australian Property Institute (FAPI) and is Joint Deputy Chair of the Shopping Centre Council of Australia.

### Steven Bennett

Direct CEO  
BBA

Steven oversees more than \$6 billion of assets under management across multiple award-winning unlisted property products supported by retail, SMSF and high net worth investors. Steven's key responsibilities include all aspects of investment management from identifying and sourcing property assets, structuring, debt financing, creation and launching of new property funds, capital raising, investor relations, stakeholder engagement and the ongoing management of the property portfolio.

Prior to joining Charter Hall, Steven worked for Macquarie Bank for seven years in Sydney and London. Steven has 18 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 20 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 – and across multiple global markets.

Sheridan is responsible for all strategic and operational aspects of technology at Charter Hall and is a key contributor to the Property Council of Australia's CIO Cyber Security Roundtable.

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 25 years' finance experience to the Group. His experience includes 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 and 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 25 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 50 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.

Prior to joining Charter Hall, Richard was a Division Director of Macquarie Group and Chief Executive Officer of Macquarie Direct Property Management Limited. Previously to that, Richard was a General Manager with Lendlease Corporation Limited and a 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

Responsible for brand, people and culture, workplace, sustainability and community investment, Natalie is focused on enabling the organisation to deliver on our unique market proposition, providing a differentiated experience and bringing to life our philosophy of "Better Future and Mutual Success" for all our stakeholders.

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 30 years of property and investment banking experience in the real estate sector and has been active in the listed, wholesale and direct capital markets. Sean is responsible for the Group's strategy and balance sheet investments, mergers and acquisitions, with oversight for multi-sector disciplines including property transactions, together with corporate development.

He brings a wealth of experience across investment markets, diversified across office, industrial & logistics and retail sectors, and has been responsible for driving the development of corporate strategies, capital allocation and reinvestment programs.

Prior to joining Charter Hall, Sean worked at national diversified property group Australand (now known as Frasers) as Chief Investment Officer and was previously responsible for investment and development for all office, industrial & logistics and retail property.

Before joining Frasers, Sean spent seven years at Macquarie Bank as a senior executive in the Property Investment Banking division undertaking property finance, structured finance, funds management and joint venture transactions.

# Directors' report and financial report

For the year ended  
30 June 2020

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## Directors' report

For the year ended 30 June 2020

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 2020, 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
- Anne Brennan – Independent Non-Executive Director
- Philip Garling – Independent Non-Executive Director
- 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:

|  | 2020<br>\$'m |
|--|--------------|
| Final ordinary distribution of 7.72 cents and ordinary dividend of 10.5 cents per stapled security for the six months ended 30 June 2020 payable on 31 August 2020           | 84.9         |
| Interim ordinary distribution of 10.5 cents and interim ordinary dividend of 7 cents per stapled security for the six months ended 31 December 2019 paid on 28 February 2020 | 81.5         |
| <b>Total Distributions/Dividends paid and payable to stapled securityholders</b>   | <b>166.4</b> |

### Operating and financial review

The Group recorded a statutory profit after tax attributable to stapled securityholders for the year to 30 June 2020 of \$345.9 million compared to a profit of \$235.3 million for the year ended 30 June 2019.

Operating earnings amounted to \$322.8 million for the year to 30 June 2020, compared to \$220.7 million for the year ended 30 June 2019, an increase of 46.3%. 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.

The operating earnings information included in the table below has not been subject to any specific audit procedures but has been extracted from segment information in Note 1 of the accompanying financial report.

|  | 2020<br>\$'m | 2019<br>\$'m |
|--|--------------|--------------|
| <b>Operating earnings attributable to stapled securityholders</b>            | <b>322.8</b> | <b>220.7</b> |
| Add: Net fair value movements on equity accounted investments <sup>1</sup>   | 67.8         | 75.8         |
| Add: Gain on disposal of property investments <sup>1</sup>                   | 6.9          | 1.9          |
| Add: Non-operating income tax benefit/(expense)                              | 2.2          | (7.3)        |
| Less: Realised and unrealised net gains/(losses) on derivatives <sup>1</sup> | (14.9)       | (29.0)       |
| Less: Impairment of equity accounted investments                             | (13.6)       | –            |
| Less: Performance fees expense <sup>1</sup>                                  | (6.0)        | (7.0)        |
| Less: Non-operating business combination acquisition costs                   | (4.4)        | (8.3)        |
| Less: Amortisation of intangibles  | (6.9)        | (4.1)        |
| Less: Other <sup>1</sup>   | (8.0)        | (7.4)        |
| <b>Statutory profit after tax attributable to stapled securityholders</b>    | <b>345.9</b> | <b>235.3</b> |

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

## Directors' report

For the year ended 30 June 2020

### Operating and financial review continued

The 30 June 2020 financial results with comparatives are summarised as follows:

|   | Charter Hall Group |          | Charter Hall Property Trust Group |         |
|---|--------------------|----------|-----------------------------------|---------|
|   | 2020               | 2019     | 2020                              | 2019    |
| Revenue (\$ million) <sup>1</sup>   | 553.8              | 378.5    | 31.1                              | 37.5    |
| Statutory profit after tax for stapled securityholders (\$ million)                         | 345.9              | 235.3    | 144.5                             | 144.3   |
| Statutory earnings per stapled security (EPS) (cents)                                       | 74.3               | 50.5     | 31.0                              | 31.0    |
| Operating earnings for stapled securityholders (\$ million)                                 | 322.8              | 220.7    | n/a                               | n/a     |
| Operating earnings per stapled security (cents)   | 69.3               | 47.4     | n/a                               | n/a     |
| Distribution/dividend per stapled security (cents)  | 35.7               | 33.7     | 18.2                              | 19.0    |
| Property investment segment earnings (\$ million) <sup>2</sup>                              | 120.0              | 110.8    | n/a                               | n/a     |
| Development investment segment earnings (\$ million) <sup>2</sup>                           | 17.1               | 7.8      | n/a                               | n/a     |
| Property funds management segment revenue (\$ million) <sup>2</sup>                         | 412.3              | 262.9    | n/a                               | n/a     |
| Total assets (\$ million)   | 2,759.7            | 2,453.6  | 2,217.3                           | 2,078.3 |
| Total liabilities (\$ million)  | 614.0              | 493.7    | 435.6                             | 359.3   |
| Total net assets (\$ million)   | 2,145.7            | 1,959.9  | 1,781.7                           | 1,719.0 |
| Net assets attributable to non-controlling interest (\$ million) <sup>3</sup>               | 65.5               | 50.3     | 65.5                              | 50.3    |
| Net assets attributable to stapled securityholders (\$ million)                             | 2,080.2            | 1,909.6  | 1,716.2                           | 1,668.7 |
| Stapled securities on issue (million)   | 465.8              | 465.8    | 465.8                             | 465.8   |
| Net assets per stapled security (\$)  | 4.47               | 4.10     | 3.68                              | 3.58    |
| Net tangible assets (NTA) attributable to stapled securityholders (\$ million) <sup>4</sup> | 1,992.4            | 1,817.0  | 1,716.2                           | 1,668.7 |
| NTA per stapled security (\$) <sup>4</sup>  | 4.28               | 3.90     | 3.68                              | 3.58    |
| Balance sheet gearing <sup>5</sup>  | 0.0%               | 5.7%     | n/a                               | n/a     |
| Funds under management (FUM) (\$ million)   | 40,537.0           | 30,425.6 | n/a                               | n/a     |

<sup>1</sup> Gross revenue does not include the Group's share of net profits of associates and joint ventures of \$162.3 million (2019: \$146.2 million).

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

<sup>3</sup> Represents the 60.4% (2019: 58.1%) non-controlling interest share of the Charter Hall Direct Diversified Consumer Staples Fund (DCSF).

<sup>4</sup> NTA attributable to stapled securityholders and NTA per stapled security (\$) are calculated using assets less liabilities, net of intangible assets and related deferred tax and non-controlling interests in DCSF.

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

### Property investment

Property investment provides the Group with yields from its co-investments in Group funds. During the year property investment contributed \$120.0 million in segment earnings to the Group.

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

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

## Directors' report

For the year ended 30 June 2020

### Operating and financial review continued

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

|   | Ownership stake (%) | Charter Hall investment (\$m) | FY2020 Charter Hall investment income <sup>1</sup> (\$m) | Weighted average lease expiry (years) | Weighted average market cap rate (%) | Weighted average discount rate (%) | Weighted average rental reviews (%) | FY2020 Charter Hall investment yield <sup>2</sup> (%) |
|---|---------------------|-------------------------------|--|---------------------------------------|--------------------------------------|------------------------------------|-------------------------------------|---|
| <b>Office</b>   |                     |                               |  |                                       |                                      |                                    |                                     |   |
| Charter Hall Prime Office Fund (CPOF)                   | 6.2                 | 312.9                         | 14.5   | 7.0                                   | 4.9                                  | 6.4                                | 3.7                                 | 4.8   |
| Charter Hall Office Trust (CHOT)                        | 15.7                | 293.5                         | 16.2   | 6.3                                   | 4.8                                  | 6.3                                | 3.8                                 | 6.4   |
| Brisbane Square Wholesale Fund (BSWF)                   | 16.8                | 101.8                         | 7.7  | 6.7                                   | 5.5                                  | 6.7                                | 3.8                                 | 7.4   |
| Charter Hall Australian Investment Trust (CHAIT)        | 10.0                | 18.2                          | 1.5  | 3.6                                   | 6.5                                  | 7.0                                | 3.7                                 | 8.8   |
| Counter Cyclical Trust (CCT)                            | 5.0                 | 11.5                          | 0.7  | 6.2                                   | 5.8                                  | 6.4                                | 3.6                                 | 6.1   |
| 201 Elizabeth Street                                    | 5.9                 | 9.6                           | 0.2  | 2.7                                   | 5.0                                  | 6.5                                | 4.0                                 | 3.5   |
| <b>Industrial &amp; Logistics</b>                       |                     |                               |  |                                       |                                      |                                    |                                     |   |
| Charter Hall Prime Industrial Fund (CPIF)               | 3.6                 | 131.4                         | 6.7  | 10.2                                  | 5.1                                  | 6.5                                | 2.9                                 | 5.3   |
| Core Logistics Partnership Trust (CLP)                  | 6.9                 | 85.0                          | 5.5  | 9.7                                   | 5.2                                  | 6.5                                | 3.0                                 | 6.0   |
| <b>Shopping Centre Retail</b>                           |                     |                               |  |                                       |                                      |                                    |                                     |   |
| Charter Hall Retail REIT (ASX: CQR) <sup>3</sup>        | 9.9                 | 207.9                         | 19.9   | 7.2                                   | 6.0                                  | 6.7                                | 4.1                                 | 7.4   |
| Charter Hall Prime Retail Fund (CPRF)                   | 29.4                | 47.3                          | 4.1  | 4.3                                   | 6.2                                  | 7.1                                | 4.1                                 | 7.2   |
| <b>Long WALE Retail</b>                                 |                     |                               |  |                                       |                                      |                                    |                                     |   |
| Long WALE Hardware Partnership (LWHP)                   | 13.4                | 123.6                         | 5.5  | 8.0                                   | 5.0                                  | 6.5                                | 2.7                                 | 5.3   |
| Charter Hall BP Partnership (BPP)                       | 2.5                 | 12.8                          | 1.6  | 19.4                                  | 5.0                                  | n/a                                | 1.0                                 | 9.1   |
| Long WALE Investment Partnerships (LWIPs) <sup>4</sup>  | 1.9                 | 11.6                          | 0.7  | 14.4                                  | 5.7                                  | n/a                                | 1.2                                 | 6.8   |
| <b>Social Infrastructure</b>                            |                     |                               |  |                                       |                                      |                                    |                                     |   |
| Charter Hall Social Infrastructure REIT (ASX: CQE)      | 8.9                 | 90.8                          | 5.4  | 12.7                                  | 6.2                                  | n/a                                | 2.1                                 | 5.7   |
| Charter Hall Exchanges Trust (CHET)                     | 21.8                | 70.1                          | 3.6  | 20.1                                  | 4.4                                  | 6.1                                | 1.5                                 | 6.0   |
| <b>Diversified</b>                                      |                     |                               |  |                                       |                                      |                                    |                                     |   |
| Charter Hall Long WALE REIT (ASX: CLW)                  | 12.2                | 271.4                         | 15.9   | 14.0                                  | 5.4                                  | 6.6                                | 2.2                                 | 6.7   |
| Discretionary Consumer Staples Fund (DCSF) <sup>5</sup> | 39.6                | 43.0                          | 3.5  | 6.8                                   | 5.8                                  | 6.8                                | 3.1                                 | 10.5  |
| Charter Hall DVP Fund (DVP)                             | 13.0                | 35.5                          | 1.2  | 3.2                                   | 4.8                                  | 6.3                                | 3.9                                 | 3.9   |
| Other investments                                       |                     | 150.0                         | 5.6  | n/a                                   | n/a                                  | n/a                                | n/a                                 | n/a   |
| <b>Property Investment Total</b>                        |                     | <b>2,027.9</b>                | <b>120.0</b>   | <b>8.7</b>                            | <b>5.3</b>                           | <b>6.5</b>                         | <b>3.3</b>                          | <b>6.2</b>  |

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.

3 Average rent reviews are contracted weighted average rent increases of specialty tenants.

4 Includes the Group's investment in the LWIP and LWIP2. Their rental increase is CPI, uncapped.

5 DCSF adjusted for non-controlling interest share of 60.4%.

### 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 \$17.1 million in segment earnings to the Group.

### Property funds management

The property funds management business provides investment management, asset management, property management, development management and leasing and transaction services to the Group's \$40.5 billion funds management portfolio. 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 property funds management business contributed \$412.3 million in segment revenue to the Group (including CHOT performance fee \$98.2m).

## Directors' report

For the year ended 30 June 2020

### Operating and financial review continued

#### Significant changes in the state of affairs

In preparing its financial statements the Group has considered the current and ongoing impact that the COVID-19 pandemic has had on its business operations.

A \$13.6m impairment was recorded for the Group's investments in Charter Hall Retail REIT and Charter Social Infrastructure REIT. Other than this impairment, the Group's strategic focus on resilient property investments and funds management revenue streams has contributed to the COVID-19 pandemic having no identifiable material adverse impact on the Group's financial result.

With the potential and uncertain economic impacts of COVID-19, future property valuations, investment and development activity and property funds management revenue could be adversely impacted.

Further disclosure is included in the following notes:

- Investments in Associates Note 2(b);
- Revenue Note 4(a);
- Intangibles Note 11(b);
- Fair Value measurement Note 22(d).

## Directors' report

For the year ended 30 June 2020

### Principal activities

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

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

No significant changes in the nature of the activities of the Group occurred during the year.

### Matters subsequent to the end of the period

The following events have occurred subsequent to 30 June 2020:

- In July 2020, Charter Hall Group sold its entire 5% holding in Waypoint REIT (ASX: WPR) for \$2.61 per WPR security totalling \$101.6m, and will receive a distribution of 7.41 cents per WPR security. Charter Hall Long WALE REIT also sold its 5% holding for the same price.
- In August 2020, a partnership created by the Charter Hall Group and an international sovereign wealth fund acquired a 49% interest in a property trust which owns a \$1.46 billion portfolio of convenience retail service centres leased to Ampol Limited (ASX: ALD). Charter Hall Group will own 5% or \$34m of the Charter Hall partnership, or a look-through interest of 2.45% in the Ampol portfolio.

Except for the matters discussed above, no matter or circumstance has arisen since 30 June 2020 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 compliments the development capability to deploy the equity raised from investors in line with each property strategy.

Charter Hall is well positioned to benefit from projected growth of capital inflows from investors seeking property investments driven by the attractive spreads between property yields 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, 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 is now preparing to align with the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations. These frameworks and policies can be found at [www.charterhall.com.au/sustainability](http://www.charterhall.com.au/sustainability).

#### 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 that drive FUM growth and 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 from 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 drive 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, joint venture risk and changes in economic or industry factors impacting customers, property values or the ability to source suitable investment opportunities.

#### Property funds management platform

The Group manages 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.

## Directors' report

For the year ended 30 June 2020

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 property 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.



## Directors' report

For the year ended 30 June 2020

### Information on Directors

#### David Clarke

##### Chair/Independent Non-Executive Director

###### Experience and expertise

David joined the Board of 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 also was previously an Executive Director at Lend Lease 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

Chair of the Nominations Committee

Member of the Audit, Risk and Compliance Committee

Member of the Investment Committee

###### Interests in securities

45,875 stapled securities in Charter Hall Group via an indirect interest

#### Anne Brennan

##### Independent Non-Executive Director

###### Experience and expertise

Anne joined the Board of Charter Hall Group on 6 October 2010 and is on the board of a number of other companies. Anne is an experienced executive and has held senior management roles in both large corporates and professional services firms.

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

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

###### Other current listed company directorships

Argo Investments Limited

Nufarm Limited

[Directors' report and financial report](#)

Tabcorp Holdings Limited

Spark Infrastructure RE Limited

###### Former listed company directorships in last three years

Metcash Limited

Myer Holdings Limited

###### Special responsibilities

Chair of the Remuneration and Human Resources Committee

Member of the Audit, Risk and Compliance Committee

###### Interests in securities

30,000 stapled securities in Charter Hall Group via direct and indirect interests

#### Philip Garling

##### 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 Lend Lease Corporation, including five years as CEO of Lend Lease 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.

###### Other current listed company directorships

Downer EDI Limited

###### Former listed company directorships in last three years

Spotless Group Holdings Ltd

###### Special responsibilities

Member of the Nominations Committee

Member of the Remuneration and Human Resources Committee

Chair of the Investment Committee

###### Interests in securities

16,759 stapled securities in Charter Hall Group via a direct interest

## Directors' report

For the year ended 30 June 2020

### 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 from 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 \$40.5 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 a Director and Vice-President of the Property Council of Australia and chair of the Audit and Risk Committee.

David is also a member of the Property Male Champions of Change.

###### Other current listed company directorships

Charter Hall Retail REIT

Charter Hall Long WALE REIT

Charter Hall Education Trust (Alternative Director)

###### Former listed company directorships in last three years

Nil

###### Special responsibilities

Member of the Investment Committee

###### Interests in securities

537,204 stapled securities in Charter Hall Group via direct interests and 841,773 stapled securities in Charter Hall Group via indirect interests. 826,313 performance rights and 117,080 service rights in the Charter Hall Performance Rights and Options Plan; performance rights, service rights and options vest after performance and service conditions are met.

#### 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 including the roles of

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

Chair of the Audit, Risk and Compliance 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 and the immediate past Chair of LJ Hooker. Greg is an Independent Non-Executive Director of Juwai 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

Nil

###### Former listed company directorships in last three years

Folkestone Limited

Charter Hall Education Trust (Alternative Director)

###### Special responsibilities

Member of the Audit, Risk and Compliance Committee

Member of the Investment Committee

###### Interests in securities

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

## Directors' report

For the year ended 30 June 2020

### 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 Lend Lease.

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

David 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

Member of the Nominations Committee

Member of the Investment Committee

Member of the Remuneration and Human Resources Committee

##### Interests in securities

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

#### Company Secretary

Mark Bryant was appointed as joint Company Secretary for Charter Hall Group on 24 August 2015 and has been the sole Company Secretary since 1 March 2017.

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 Group 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 2020, 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 |
|            |   |   |                                      |   |                      |   |                      |   |                               |   |
| A Brennan  | 9                                       | 9 | 5                                    | 5 | *                    | * | *                    | * | 6                             | 6 |
| D Clarke   | 9                                       | 9 | 5                                    | 5 | 3                    | 3 | -                    | - | *                             | * |
| P Garling  | 9                                       | 9 | *                                    | * | 3                    | 3 | -                    | - | 5                             | 6 |
| D Harrison | 9                                       | 9 | *                                    | * | 3                    | 3 | *                    | * | *                             | * |
| K Moses    | 9                                       | 9 | 5                                    | 5 | *                    | * | *                    | * | *                             | * |
| G Paramor  | 8                                       | 9 | 4                                    | 5 | 3                    | 3 | *                    | * | *                             | * |
| D Ross     | 9                                       | 9 | *                                    | * | 3                    | 3 | -                    | - | 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.

## Directors' report

For the year ended 30 June 2020

### Remuneration Report Summary

Charter Hall Limited is pleased to present its Remuneration Report (Report) for the year ended 30 June 2020. The table below outlines the key remuneration changes made in 2020 and outcomes achieved in 2020.

#### Key changes in FY2020

| Component   | Change  |
|---|---|
| <b>Executive Minimum Securityholding</b><br>(Section 6.1)                                 | During FY2020, a mandatory minimum securityholding requirement was introduced for all Group Executives, including the Managing Director and Group CEO (Managing Director) and Other Reported Executives to align to long term securityholder interests and business performance. All Group Executives must accumulate Charter Hall securities equal to 100% of their respective pre-tax Fixed Annual Remuneration (FAR) over a four-year period from the date of adoption of this requirement or from the date of appointment as an Executive, as applicable. |
| <b>Changes to Long Term Incentive (LTI) Plan</b><br>(Section 3.5)                         | The performance period has been increased from three to four years and the mandatory holding lock period of one year, post vesting, has now been removed. Transition arrangements have been introduced for the FY2020 LTI grant.<br>All Group Executives can now also make an upfront election of a voluntary restriction period of 5, 6 or 7 years, from the vesting date, to apply to 25%, 50%, 75% or 100% of their allocated stapled securities on vesting of each tranche.   |
| <b>Optional Deferral of Cash Component of Short Term Incentive (STI)</b><br>(Section 3.4) | All Group Executives have the option to elect to receive up to 100% of payment, of the cash component of their STI, in the form of rights to acquire CHC securities. These rights will vest based on the Executive's elected deferral period of 3, 5 or 7 years, from the date of award.  |

#### Remuneration at a Glance for FY2020

| Delivery  | Outcome   |
|---|---|
| <b>FAR</b><br>(Section 3.3)   | The Managing Director's FAR was increased by 4.9% to \$1,500,000, effective 1 July 2019 following an independent benchmark review.<br><br>FAR for Other Reported Executives was also reviewed and increased by 4.4% on average, effective 1 July 2019.  |
| <b>'On target' Total Remuneration and Remuneration Mix</b><br>(Section 3.2) | Effective 1 July 2019, the Managing Director's 'on target' Total Remuneration was increased to \$5,250,000 and Other Reported Executives' FAR and 'at risk' components were also increased, in part to recognise the change in LTI performance period from three to four years.   |
| <b>STI</b><br>(Section 3.4)   | Group OEPS (excluding the CHOT performance fee) was 53.9 cents, which was 36.8% above the FY2019 OEPS (excluding the CHOT performance fee) and 20.2% above target FY2020 OEPS (excluding the CHOT performance fee). Assessment of individual performance scorecards has resulted in 140% of the total target STI amount to be awarded to eligible employees across the Group. For all executives, STI is delivered in the form of cash (67%) and deferred service rights (33%). |
| <b>LTI</b><br>(Section 3.5)   | The FY2017 grant vested in full on 31 August 2019 as a result of the performance against absolute and relative TSR hurdles over the three years to 30 June 2019 (Section 3.5).<br>The FY2018 LTI award reached the end of its three-year performance period on 30 June 2020 and will vest at 100% on 31 August 2020 and will be subject to a further one-year holding lock.   |
| <b>Non-Executive Directors (NED)</b><br>(Section 5)                         | There was no increase to the NED fee pool in FY2020. NED fees increased by 2.5% in FY2020.  |

## Directors' report

For the year ended 30 June 2020

### Actual remuneration received in FY2020

The following table presents the actual remuneration that was received by Reported Executives during the financial year ended 30 June 2020. This voluntary disclosure is provided to increase transparency and includes:

- fixed pay and other benefits for 2020;
- 2019 cash STI paid during 2020; and
- the value of any LTI and STI award that vested during 2020.

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 4.1 of this Report, which is calculated in accordance with statutory obligations and accounting standards. The numbers in section 4.1 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 <sup>1</sup><br>\$ | Short Term Incentive <sup>2</sup><br>\$ | Value of securities vested <sup>3</sup><br>\$ | Total<br>\$       | % of remuneration consisting of rights<br>% |
|----------------------------------|--|---|---|-------------------|---|
| <b>Managing Director</b>         |  |   |   |                   |   |
| D Harrison                       | 1,501,688                                    | 1,430,000                               | 5,567,630                                     | 8,499,318         | 65.5  |
| <b>Other Reported Executives</b> |  |   |   |                   |   |
| S McMahon <sup>4</sup>           | 851,688                                      | 595,960                                 | 2,580,349                                     | 4,027,997         | 64.1  |
| R Proutt                         | 821,688                                      | 526,320                                 | 1,020,467                                     | 2,368,475         | 43.1  |
| <b>Totals</b>                    | <b>3,175,064</b>                             | <b>2,552,280</b>                        | <b>9,168,446</b>                              | <b>14,895,790</b> | <b>61.6</b>                                 |

<sup>1</sup> Other benefits include superannuation and non-monetary benefits.

<sup>2</sup> Values relate to STI paid in FY2020 in cash for FY2019 performance.

<sup>3</sup> Values calculated using the two-day VWAP up until the vesting date applied to the number of rights vesting for LTI performance rights, STI deferred service rights and any sign-on service rights.

<sup>4</sup> Value of vested securities includes an extra grant of service rights allocated in recognition of the dual roles S McMahon undertook in FY2018 which vested in full on 31 August 2019.

## Directors' report

For the year ended 30 June 2020

### 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 2020. The KMP include the Non-Executive Directors, Managing Director and Other Reported Executives.

| Name                             | Role                            | Term as KMP |
|----------------------------------|---------------------------------|-------------|
| <b>Non-Executive Directors</b>   |                                 |             |
| David Clarke                     | Chair                           | Full Year   |
| Anne Brennan                     | Director                        | Full Year   |
| Philip Garling                   | Director                        | Full Year   |
| Karen Moses                      | Director                        | Full Year   |
| David Ross                       | Director                        | Full Year   |
| Greg Paramor AO                  | Director                        | Full Year   |
| <b>Managing Director</b>         |                                 |             |
| David Harrison                   | Managing Director and Group CEO | Full Year   |
| <b>Other Reported Executives</b> |                                 |             |
| 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 Act.

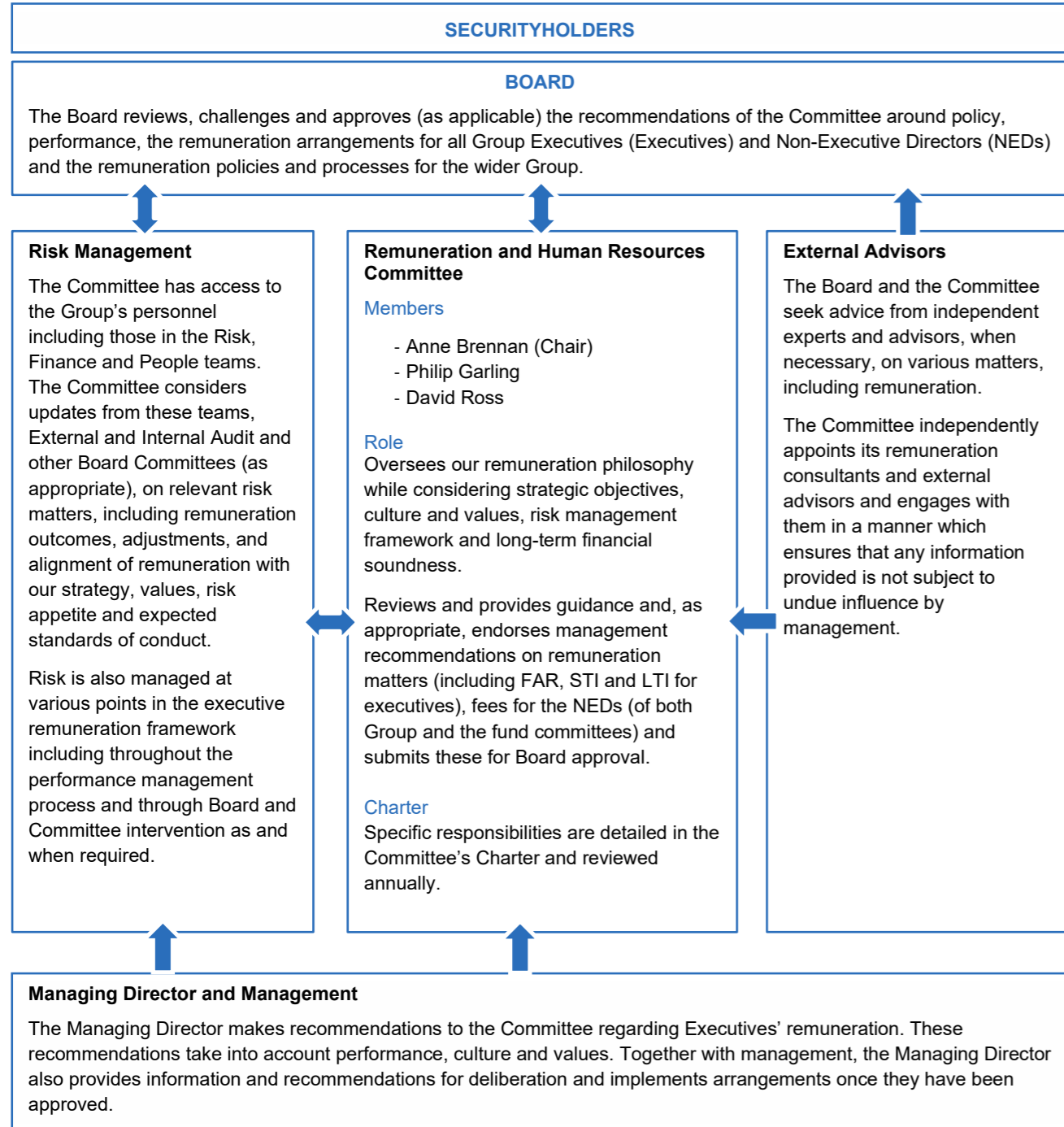
## Directors' report

For the year ended 30 June 2020

### 2. 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.



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](http://www.charterhall.com.au).

## Directors' report

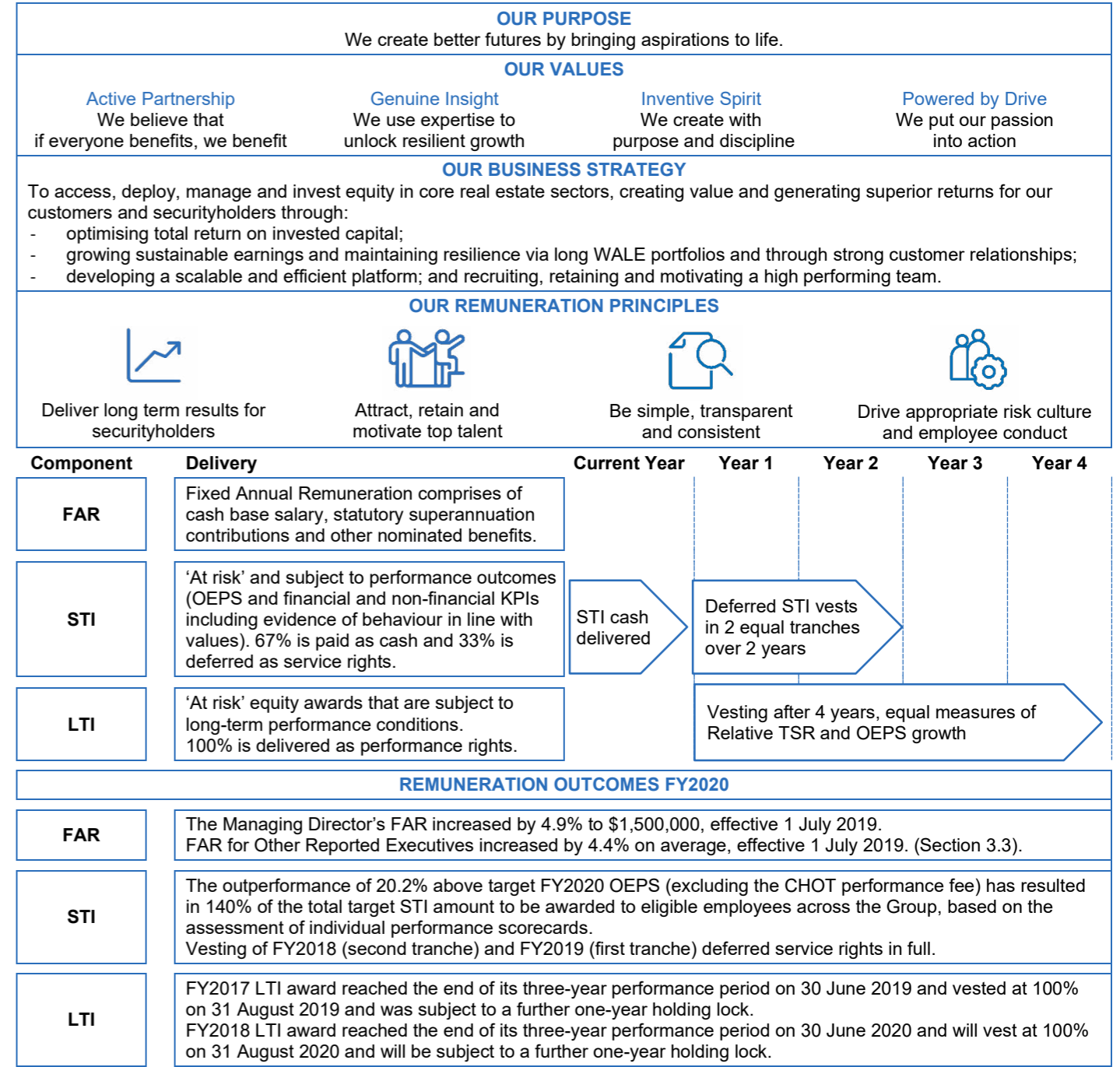
For the year ended 30 June 2020

### 3. 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 customers and securityholders.

#### 3.1 Executive remuneration strategy

The below diagram illustrates the remuneration framework that applied to the Managing Director and Other Reported Executives in FY2020. It also outlines the link between Charter Hall's business and remuneration strategies.



#### Mandatory Security holding Requirement

CEO and other Executives must accumulate Charter Hall securities equal to 100% of pre-tax FAR over a four-year period from the date of adoption of this requirement or from the date of appointment as an Executive, as applicable and maintain it on an on-going basis.

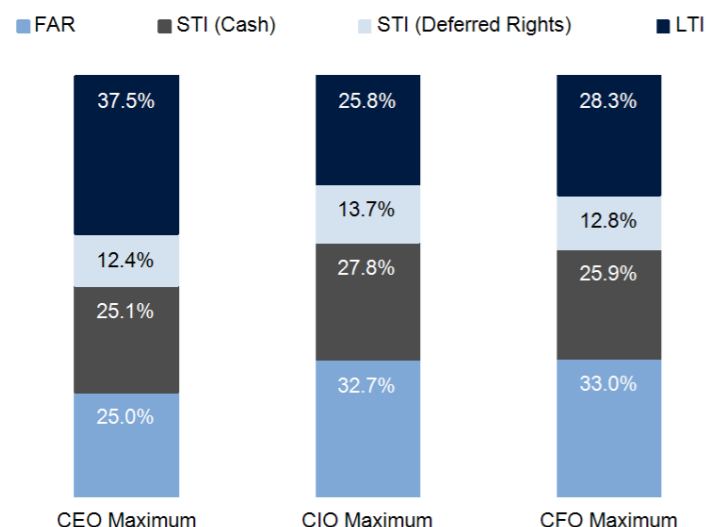
## Directors' report

For the year ended 30 June 2020

### 3.2 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.

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



### 3.3 Fixed Annual Remuneration

|   |   |
|---|---|
| <b>Composition</b>                            | FAR comprises cash base salary, statutory superannuation contributions and other nominated benefits.  |
| <b>Benchmarking and Review</b>                | FAR is targeted at the median of the property market and is reviewed regularly, effective 1 July 2019, benchmarked against equivalent roles in the market recognising: <ul style="list-style-type: none"> <li>– individual performance; and</li> <li>– the market environment for each individual's skills and capabilities.</li> </ul>   |
| <b>Comparator Group</b>                       | 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.   |
| <b>Charter Hall Managing Director outcome</b> | The Managing Director's FAR increased by 4.9% to \$1,500,000 in FY2020, effective 1 July 2019. In determining the Managing Director's remuneration and appropriate remuneration mix, the Committee and the Chair of the Board jointly commissioned an independent benchmarking report by Conari Partners. The review had regard to: <ul style="list-style-type: none"> <li>– the significant FUM growth over the past few years resulting in the growth of the organisation;</li> <li>– the operational intensity and transaction activity;</li> <li>– the remuneration for CEOs in the REIT sector with varying attributes, specifically considering the CEO FAR remuneration payable by nine industry specific comparator entities; and</li> <li>– the Managing Director's current role.</li> </ul> |
| <b>Other Reported Executives</b>              | FAR for the CFO and the CIO increased by 2.5% and 6.25% respectively, effective 1 July 2019, owing to the significant growth in FUM and corresponding growth of the organisation.   |

## Directors' report

For the year ended 30 June 2020

### 3.4 Short Term Incentive

#### FY2020 STI Award – Key Features

| Features   | Approach  |          |                                       |          |                                       |                          |     |     |     |            |     |     |     |            |     |     |     |
|--|---|----------|---------------------------------------|----------|---------------------------------------|--------------------------|-----|-----|-----|------------|-----|-----|-----|------------|-----|-----|-----|
| <b>Purpose</b>   | 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.  |          |                                       |          |                                       |                          |     |     |     |            |     |     |     |            |     |     |     |
| <b>Participants</b>  | All Executives  |          |                                       |          |                                       |                          |     |     |     |            |     |     |     |            |     |     |     |
| <b>Gateway for STI</b>                                     | <p><b>Group:</b> A financial gateway of 95% of target OEPS excluding the CHOT performance fee must be met before any STI entitlement is available, with the Board retaining overall discretion on performance achievement.</p> <p><b>Individual:</b> 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. Both gateways need to be met for any STI to be awarded.</p>   |          |                                       |          |                                       |                          |     |     |     |            |     |     |     |            |     |     |     |
| <b>Determining and assessing achievement of STI target</b> | The percentage achievement of STI target is determined by the Board, upon advice from the Committee, based on achieving 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.   |          |                                       |          |                                       |                          |     |     |     |            |     |     |     |            |     |     |     |
| <b>Individual opportunity</b>                              | The maximum STI potential for all employees is 150% of their STI target, enabling recognition for outperformance.   |          |                                       |          |                                       |                          |     |     |     |            |     |     |     |            |     |     |     |
| <b>Performance targets</b>                                 | 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 Leadership/Collaboration/Culture with 50% financial and 50% non-financial split between Customer and Leadership/Collaboration/Culture. 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 will provide measurable performance criteria strongly linked to year-on-year securityholder returns and encourage the achievement of individual goals consistent with the Group's overall objectives. The scorecard elements of financial, customer and leadership, culture and collaboration have been chosen because they represent important elements of Charter Hall's core strategic objectives of Growth and Resilience.   |          |                                       |          |                                       |                          |     |     |     |            |     |     |     |            |     |     |     |
|  | <table border="1"> <thead> <tr> <th>Role</th> <th>Financial/Securityholder</th> <th>Customer</th> <th>Leadership, Culture and Collaboration</th> </tr> </thead> <tbody> <tr> <td><b>Managing Director</b></td> <td>50%</td> <td>30%</td> <td>20%</td> </tr> <tr> <td><b>CFO</b></td> <td>50%</td> <td>30%</td> <td>20%</td> </tr> <tr> <td><b>CIO</b></td> <td>50%</td> <td>20%</td> <td>30%</td> </tr> </tbody> </table>   | Role     | Financial/Securityholder              | Customer | Leadership, Culture and Collaboration | <b>Managing Director</b> | 50% | 30% | 20% | <b>CFO</b> | 50% | 30% | 20% | <b>CIO</b> | 50% | 20% | 30% |
| Role   | Financial/Securityholder  | Customer | Leadership, Culture and Collaboration |          |                                       |                          |     |     |     |            |     |     |     |            |     |     |     |
| <b>Managing Director</b>                                   | 50%   | 30%      | 20%                                   |          |                                       |                          |     |     |     |            |     |     |     |            |     |     |     |
| <b>CFO</b>   | 50%   | 30%      | 20%                                   |          |                                       |                          |     |     |     |            |     |     |     |            |     |     |     |
| <b>CIO</b>   | 50%   | 20%      | 30%                                   |          |                                       |                          |     |     |     |            |     |     |     |            |     |     |     |
| <b>Determining and assessing performance</b>               | <p>In consultation with the Committee, the Board assesses the Group's financial performance and the performance of all Reported Executives against agreed KPIs.</p> <p>The Board applies the following general principles when determining and measuring performance goals and any STI incentive for the Executives:</p> <ul style="list-style-type: none"> <li>– STI outcomes should always align with the market reported results, with any adjustments being consistent with business performance and behaviour aligned to Group values;</li> <li>– 'on target' performance aligns with the Board approved target for the financial year;</li> <li>– each STI or LTI performance condition or target is measured independently; and</li> <li>– payout above Gateway for STI is up to a maximum (150% of STI target).</li> </ul> <p>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.</p> |          |                                       |          |                                       |                          |     |     |     |            |     |     |     |            |     |     |     |
| <b>Board Discretion</b>                                    | 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.   |          |                                       |          |                                       |                          |     |     |     |            |     |     |     |            |     |     |     |

## Directors' report

For the year ended 30 June 2020

| Features   | Approach   |
|--|--|
| <b>Delivery</b>                                    | 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. The number of rights granted to an Executive is determined based on an independent fair value calculation reviewed by Deloitte using the Black-Scholes-Merton valuation method.  |
| <b>Voluntary Deferral of Cash Component of STI</b> | Under the FY2020 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 3, 5 or 7 years from the date of award. 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. The number of rights granted to an Executive or a senior manager is determined based on an independent fair value calculation reviewed by Deloitte using the Black-Scholes-Merton valuation method and therefore no distributions will be paid on these rights during the restricted period. |

## Directors' report

For the year ended 30 June 2020

### STI Performance Outcomes for Financial Year Ending 30 June 2020 – Managing Director

Growth and resilience measures are assessed in each of the performance categories in the Managing Director's scorecard.

| Performance Category and Weighting               | Measure  | Performance Outcome  | Rating      |
|--|--|--|-------------|
| <b>Financial 50%</b>                             | <ul style="list-style-type: none"> <li>- Group OEPS growth</li> <li>- Equity flow growth</li> <li>- Growth in funds under management</li> <li>- Maintaining Group investment capacity</li> </ul>   | <ul style="list-style-type: none"> <li>- OEPS growth of 46.3% and 36.8% excluding the CHOT performance fee</li> <li>- Equity flows of \$5bn</li> <li>- FUM growth of \$10.1bn, 33% increase on FY2019</li> <li>- Increase in investment capacity to \$5bn</li> <li>- Total platform return of 19.1%</li> </ul>   | Outstanding |
| <b>Customer 30%</b>                              | <ul style="list-style-type: none"> <li>- Delivering exceptional customer experience with continuous improvement and innovation. Including: <ul style="list-style-type: none"> <li>- Customer satisfaction surveys</li> <li>- Inflows from new investors</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>- Strong tenant and investor customer relationships as evidenced through survey results</li> <li>- 6 new wholesale partnerships secured</li> </ul>  | Outstanding |
| <b>Leadership, Culture and Collaboration 20%</b> | <ul style="list-style-type: none"> <li>- Engagement</li> <li>- Diversity</li> <li>- Succession planning</li> </ul>   | <ul style="list-style-type: none"> <li>- 93% engagement result with 95% participation</li> <li>- Group total turnover of 10.5% with regrettable turnover at 5.3%</li> <li>- Achievement of gender diversity measures with 30% female representation at Senior Management level</li> <li>- Internal and external appointments into key roles that provide succession options for Executive roles</li> </ul> | Outstanding |

### STI Performance Outcomes for Financial Year Ending 30 June 2020 – 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   | Rating      |
|--|---|-------------|
| <b>Financial</b>                             | Including Group and Divisional financials and investment earnings; growth in funds under management; and divisional specific financial initiatives. | Outstanding |
| <b>Customer and Strategy</b>                 | Including customer experience, service and satisfaction measures for funds and tenants.   | Outstanding |
| <b>Leadership, Culture and Collaboration</b> | Including leadership contribution, succession, talent, diversity and engagement.  | Outstanding |

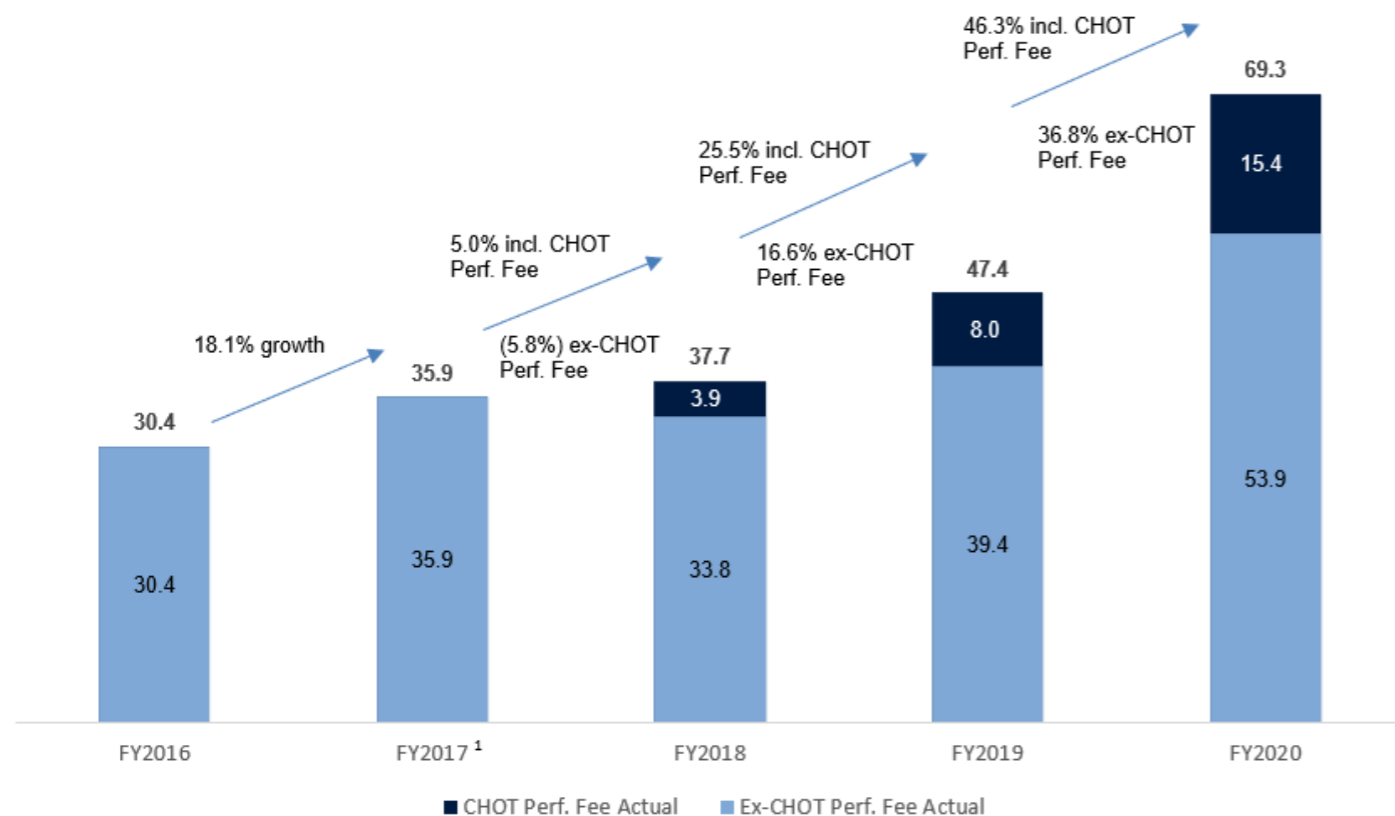
The Group maintained earnings guidance through COVID-19 and performance measures were exceeded across all categories. The outperformance resulted in 150% of STI target being achieved and Reported Executives received on average 150% of STI target for FY2020. No Board discretion was applied to Executive's STI outcomes.

## Directors' report

For the year ended 30 June 2020

### Group FY2020 performance outcomes

In FY2020, Charter Hall's OEPS was 69.3 cents, which was 46.3% above the FY2019 OEPS. The table below shows Charter Hall's OEPS (cps) over a five-year period:



<sup>1</sup> The first year CHC recognised operating tax expense of 4.6 cps.

### FY2020 STI outcomes

Consistent with FY2018 and FY2019, for FY2020, the Board, on advice from the Committee, elected to exclude the CHOT performance fee amount (post tax) from both the target and the actual OEPS achieved due to the potential volatility and the significance of the earnings contributed by this fee during the period.

The outperformance of 20.2% above target FY2020 OEPS (excluding the CHOT performance fee) in FY2020 allows for 150% of the total target STI amount to be awarded which compares to 128% in FY2019 and 120% in FY2018. Assessment of individual performance scorecards has resulted in 140% of the total target STI amount to be awarded, in September 2020, to eligible employees across the Group.

The adjacent table shows the STI outcomes for Reported Executives for 2020.

Reported Executives on average received an outcome of 150% of STI target for FY2020. This is based on individual achievement against KPIs including evidence of behaviour in line with values and overall leadership team contribution to the Group.

## Directors' report

For the year ended 30 June 2020

| Name                             | STI earned<br>\$ | Paid in cash <sup>1</sup><br>\$ | Voluntary<br>deferral into<br>rights<br>\$ | Mandatory<br>deferral<br>into service<br>rights<br>\$ | Target<br>STI of<br>fixed pay<br>% | STI earned<br>compared to<br>target<br>% | STI earned<br>compared to<br>maximum<br>% |
|----------------------------------|------------------|---------------------------------|--|---|------------------------------------|--|---|
| <b>Managing Director</b>         |                  |                                 |  |   |                                    |  |   |
| D Harrison <sup>2</sup>          | 2,250,000        | –                               | 1,500,000                                  | 750,000   | 100%                               | 150%                                     | 100%                                      |
| <b>Other Reported Executives</b> |                  |                                 |  |   |                                    |  |   |
| S McMahon <sup>3</sup>           | 1,078,605        | 359,535                         | 359,535                                    | 359,535   | 85%                                | 150%                                     | 100%                                      |
| R Proutt <sup>4</sup>            | 961,500          | –                               | 641,000                                    | 320,500   | 78%                                | 150%                                     | 100%                                      |

<sup>1</sup> To be paid on 15 September 2020.

<sup>2</sup> D Harrison has elected to voluntarily defer 100% of the cash component of his FY2020 STI into rights; 50% is being deferred for a 3-year period and 50% for a 5-year period.

<sup>3</sup> S McMahon has elected to voluntarily defer 50% of the cash component of his FY2020 STI into rights for a 3-year period.

<sup>4</sup> R Proutt has elected to voluntarily defer 100% of the cash component of his FY2020 STI into rights; 50% is being deferred for a 3-year period and 50% for a 5-year period.

## Directors' report

For the year ended 30 June 2020

### 3.5 Long Term Incentive

#### FY2020 LTI Plan – Key Features

| Features   | Approach  |  |   |   |    |  |     |  |   |   |      |
|--|---|--|---|---|----|--|-----|--|---|---|------|
| <b>Purpose</b>   | 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.  |  |   |   |    |  |     |  |   |   |      |
| <b>Participants</b>  | All Executives, Fund Managers and selected other managers, comprising approximately 7% of permanent employees.  |  |   |   |    |  |     |  |   |   |      |
| <b>Type of Equity Awarded</b>  | 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. For FY2020 detail, see specific grant allocation in Section 6.2.  |  |   |   |    |  |     |  |   |   |      |
| <b>Transition Arrangements</b>   | With the introduction of the four-year vesting period, transition arrangements are in place for FY2020 LTI, where performance rights will vest in two equal tranches at the end of year 3 (50%) and year 4 (50%).   |  |   |   |    |  |     |  |   |   |      |
| <b>Performance Period</b>  | Tranche 1 (50% of performance rights) – 3 years from 1 July 2019 to 30 June 2022<br>Tranche 2 (50% of performance rights) – 4 years from 1 July 2019 to 30 June 2023  |  |   |   |    |  |     |  |   |   |      |
| <b>Valuation</b>   | The number of rights granted to an Executive is determined based on an independent fair value calculation by Deloitte using the Black-Scholes-Merton valuation method.  |  |   |   |    |  |     |  |   |   |      |
| <b>Vesting Conditions</b>  | Each tranche of performance rights is subject to the following performance conditions: <ul style="list-style-type: none"> <li>– 50% of performance rights in each tranche are subject to operating earnings per security (OEPS) growth hurdle; and</li> <li>– 50% of performance rights in each tranche are subject to a relative total securityholder return (TSR) hurdle.</li> </ul>  |  |   |   |    |  |     |  |   |   |      |
| <b>OEPS Performance Condition (50% of LTI Allocation)</b>  | For FY2020 LTI, the Board has set the commencement OEPS as the FY2019 adjusted OEPS of 39.4 cps (after tax) which is the FY2019 actual OEPS result of 47.4 cps (after tax) less the Charter Hall Office Trust (CHOT) performance fee of 8.0 cps (after tax) recognised during the period. The actual aggregate OEPS (after tax) achieved during the relevant performance period will also exclude any recognised CHOT performance fee (after tax) to assess performance against the hurdles.  |  |   |   |    |  |     |  |   |   |      |
|  | <table border="1"> <thead> <tr> <th>If for each of the two tranches, the OEPS achieves a CAGR over the relevant performance period of:</th> <th>Percentage of performance rights of each tranche which may vest</th> </tr> </thead> <tbody> <tr> <td>Less than 5% per annum or<br/>Aggregate OEPS (after tax) of:<br/>For Tranche 1: less than 130.42 cps<br/>For Tranche 2: less than 178.31 cps</td> <td>0%</td> </tr> <tr> <td>Equal to 5% per annum or<br/>Aggregate OEPS (after tax) of:<br/>For Tranche 1: equal to 130.42<br/>For Tranche 2: equal to 178.31 cps</td> <td>50%</td> </tr> <tr> <td>More than 5% but less than 7% per annum or<br/>Aggregate OEPS (after tax) of:<br/>For Tranche 1: between 130.42 cps and 135.53 cps<br/>For Tranche 2: between 178.31 cps and 187.18 cps</td> <td>Pro rata straight line vesting between 50% - 100%</td> </tr> <tr> <td>7% or more per annum or<br/>Aggregate OEPS (after tax) of:<br/>For Tranche 1: more than or equal to 135.53 cps<br/>For Tranche 2: more than or equal to 187.18 cps</td> <td>100%</td> </tr> </tbody> </table> | If for each of the two tranches, the OEPS achieves a CAGR over the relevant performance period of: | Percentage of performance rights of each tranche which may vest | Less than 5% per annum or<br>Aggregate OEPS (after tax) of:<br>For Tranche 1: less than 130.42 cps<br>For Tranche 2: less than 178.31 cps | 0% | Equal to 5% per annum or<br>Aggregate OEPS (after tax) of:<br>For Tranche 1: equal to 130.42<br>For Tranche 2: equal to 178.31 cps | 50% | More than 5% but less than 7% per annum or<br>Aggregate OEPS (after tax) of:<br>For Tranche 1: between 130.42 cps and 135.53 cps<br>For Tranche 2: between 178.31 cps and 187.18 cps | Pro rata straight line vesting between 50% - 100% | 7% or more per annum or<br>Aggregate OEPS (after tax) of:<br>For Tranche 1: more than or equal to 135.53 cps<br>For Tranche 2: more than or equal to 187.18 cps | 100% |
| If for each of the two tranches, the OEPS achieves a CAGR over the relevant performance period of:   | Percentage of performance rights of each tranche which may vest   |  |   |   |    |  |     |  |   |   |      |
| Less than 5% per annum or<br>Aggregate OEPS (after tax) of:<br>For Tranche 1: less than 130.42 cps<br>For Tranche 2: less than 178.31 cps  | 0%  |  |   |   |    |  |     |  |   |   |      |
| Equal to 5% per annum or<br>Aggregate OEPS (after tax) of:<br>For Tranche 1: equal to 130.42<br>For Tranche 2: equal to 178.31 cps   | 50%   |  |   |   |    |  |     |  |   |   |      |
| More than 5% but less than 7% per annum or<br>Aggregate OEPS (after tax) of:<br>For Tranche 1: between 130.42 cps and 135.53 cps<br>For Tranche 2: between 178.31 cps and 187.18 cps | Pro rata straight line vesting between 50% - 100%   |  |   |   |    |  |     |  |   |   |      |
| 7% or more per annum or<br>Aggregate OEPS (after tax) of:<br>For Tranche 1: more than or equal to 135.53 cps<br>For Tranche 2: more than or equal to 187.18 cps                      | 100%  |  |   |   |    |  |     |  |   |   |      |

## Directors' report

For the year ended 30 June 2020

#### Relative TSR Performance Condition (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 A-REIT comparator group for the FY2020 LTI:

|  |   |
|--|---|
| Abacus Property Group (ABP)            | Mirvac Group (MGR)                                |
| BWP Trust (BWP)                        | National Storage REIT (NSR)                       |
| Cromwell Property Group (CMW)          | Scentre Group (SCG)                               |
| Charter Hall Retail REIT (CQR)         | GPT Group (GPT)                                   |
| Charter Hall Long Wale REIT (CLW)      | Stockland (SGP)                                   |
| Dexus Property Group (DXS)             | Vicinity Centres (VCX)                            |
| Goodman Group (GMG)                    | Waypoint REIT (WPR)                               |
| Growthpoint Properties Australia (GOZ) | Shopping Centres Australasia Property Group (SCP) |

| If, over the relevant performance period for each of the two tranches, the Charter Hall Group relative TSR (compounded) when ranked to a comparator group of the S&P/ASX 200 A-REIT Accumulation Index is: | Percentage of performance rights of each tranche which may vest |
|--|---|
| 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%  |

#### Rationale for Performance Measures

During 2018, the Board reviewed the LTI performance conditions 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 hurdle with an Operating Earnings Per Security (OEPS) growth measure.

For FY2020, the Board agreed the same performance hurdles for Relative TSR and OEPS growth would apply.

The OEPS growth measure aligns the PROP with commercial long-term performance which is within the executive's ability to influence and aligns with securityholder expectations. The performance hurdles of 5% (50% vesting) and 7% (100% vesting), that have applied for the FY2019 and FY2020 LTI plans, have been set with reference to:

- average EPS growth of the constituents of the comparator group;
- growth opportunities for the Group; and
- the risk appetite of the Group for resilient and achievable long-term earnings growth.

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 hurdle adopted in Australia. It ensures that value is only delivered to participants if the investment return actually received by CHC securityholders is sufficiently high relative to the returns they could have received by investing in a portfolio of alternative A-REIT sector stocks over the same period.

#### Voluntary Restriction Period

At the time of rights allocation, Executives can make an upfront election to apply a voluntary restricted period to 25%, 50%, 75% or 100% of stapled securities allocated to them on vesting of each tranche. In relation to the proportion that they elect to be subject to the voluntary restricted period, the following table sets out the three alternatives they can elect to apply as their voluntary restricted period for each tranche. The periods identified below will commence at vesting date of each tranche.

|          | 3 years | 4 years | 5 years | 6 years | 7 years |
|----------|---------|---------|---------|---------|---------|
| Option A | 20%     | 20%     | 20%     | 20%     | 20%     |
| Option B | 25%     | 25%     | 25%     | 25%     | -       |
| Option C | 33%     | 33%     | 34%     | -       | -       |

#### Distributions

Distributions are not provided on performance rights.



## Directors' report

For the year ended 30 June 2020

### Group performance outcomes

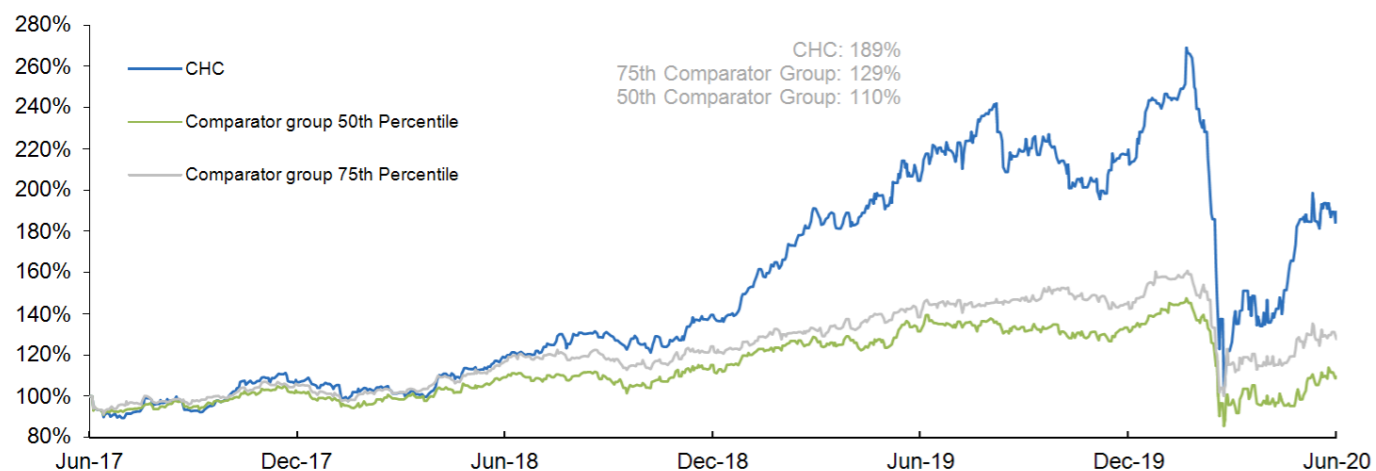
**Absolute TSR** – The Group delivered a compound TSR (including stapled security price movements and distributions) over the three years to 30 June 2019 (FY2017 LTI performance period) of 36% per annum and three years to 30 June 2020 (FY2018 LTI performance period) of 24% per annum, both exceeding the Absolute TSR stretch performance hurdles of 12% and 12% respectively.

**Relative TSR** – The following graphs also illustrate the Group's TSR compared with the comparator group 50th and 75th percentile throughout the FY2017 and FY2018 LTI performance periods.

#### FY2017 LTI performance period



#### FY2018 LTI performance period



### Outcomes

- The FY2017 LTI had a vesting date of 31 August 2019. As a result of the TSR performance over the three years to 30 June 2019, the absolute and relative performance hurdles were exceeded and 100% of the performance rights vested and was subject to a further one-year holding lock.
- The FY2018 LTI has a vesting date of 31 August 2020. As a result of the TSR performance over the three years to 30 June 2020, the absolute and relative performance hurdles were exceeded and 100% of the performance rights will vest and be subject to a further one-year holding lock.

## Directors' report

For the year ended 30 June 2020

TSR for Charter Hall versus comparable indices is outlined below

Although the one-year returns have been impacted by COVID-19, Charter Hall has outperformed its peer group with significant outperformance over the longer term. The following table compares the total securityholder return for Charter Hall against various indices.

| Annualised TSR (p.a. compound) | 1 Year  | 3 Years | 5 Years | 10 Years |
|--------------------------------|---------|---------|---------|----------|
| CHC                            | (7.4%)  | 25.8%   | 22.1%   | 21.5%    |
| S&P ASX 100                    | (7.8%)  | 5.2%    | 5.8%    | 8.0%     |
| S&P ASX 200 A-REIT             | (21.3%) | 2.0%    | 4.4%    | 9.2%     |
| MSCI World REITs               | (9.0%)  | 2.5%    | 4.5%    | 8.5%     |

### 3.6 Group summary of performance and total remuneration outcomes

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

| Key performance metrics   | 2016  | 2017  | 2018  | 2019  | 2020  |
|---|-------|-------|-------|-------|-------|
| Statutory profit after tax for stapled securityholders (\$m)              | 215.2 | 257.6 | 250.2 | 235.3 | 345.9 |
| Statutory earnings per stapled security (EPS) (cents)                     | 52.5  | 61.2  | 53.7  | 50.5  | 74.3  |
| Operating earnings for stapled securityholders (\$m)                      | 124.7 | 151.2 | 175.8 | 220.7 | 322.8 |
| Operating earnings per stapled security (cents)                           | 30.4  | 35.9  | 37.7  | 47.4  | 69.3  |
| Growth in OEPS %  | 10.5  | 18.1  | 5.0   | 25.5  | 46.3  |
| Operating earnings per stapled security (ex CHOT performance fee) (cents) | 30.4  | 35.9  | 33.8  | 39.4  | 53.9  |
| Growth in OEPS (ex CHOT performance fee) %                                | 10.5  | 18.1  | -6.0  | 16.6  | 36.8  |
| Distribution per stapled security (cents)                                 | 26.9  | 30.0  | 31.8  | 33.7  | 35.7  |
| Stapled security price at 30 June (\$) <sup>1</sup>                       | 5.06  | 5.50  | 6.52  | 10.83 | 9.69  |
| CHC total securityholder return – Jul to Jun (%)                          | 18.3  | 15.2  | 24.6  | 72.4  | -7.4  |

The table below provides information on Reported Executives' total remuneration, both fixed and 'at risk' compared to target total remuneration. Charter Hall's STI is weighted towards growth in OEPS and the LTI provides an important link between remuneration and TSR.

| Reported Executives total remuneration summary                         | 2019      | 2020      |
|--|-----------|-----------|
| Fixed payments (\$)  | 3,117,452 | 3,075,536 |
| STI accounting expense (\$)  | 3,828,420 | 4,290,105 |
| LTI accounting expense (\$) <sup>1</sup>                               | 1,654,108 | 2,012,321 |
| Earned remuneration (\$) <sup>2</sup>                                  | 8,599,980 | 9,377,962 |
| On target total remuneration (\$)                                      | 7,416,060 | 7,947,927 |
| Earned remuneration relative to target remuneration – over/(under) (%) | 16%       | 18%       |

<sup>1</sup> The LTI expense attributed to the Reported Executives reflects the statutory accounting expense under AASB2.

<sup>2</sup> Earned remuneration for the Reported Executives is the sum of their fixed payments, STI and LTI expenses recognised.

## Directors' report

For the year ended 30 June 2020

### 4. Executive remuneration in detail

#### 4.1 Total remuneration of Reported Executives

The following table details the total remuneration of the Reported Executives of the Group for FY2019 and FY2020.

| Name                             | Short-term benefits |                           |                           | Post-employment benefits | Security-based payments            |                  |   | Securities options and performance rights | Other long-term benefits                      |                                 | Total | % of total remuneration consisting of rights |
|----------------------------------|---------------------|---------------------------|---------------------------|--------------------------|------------------------------------|------------------|---|---|---|---------------------------------|-------|--|
|                                  | Salary              | Cash short-term incentive | Annual leave <sup>1</sup> |                          | Non-monetary benefits <sup>2</sup> | Super-annuation  | Voluntarily deferred short-term incentive |   | Mandatory security-based short-term incentive | Long service leave <sup>1</sup> |       |  |
|                                  | \$                  | \$                        | \$                        | \$                       | \$                                 | \$               | \$  | \$  | \$  | \$                              | \$    | %  |
| <b>Managing Director</b>         |                     |                           |                           |                          |                                    |                  |   |   |   |                                 |       |  |
| D Harrison <sup>3</sup>          |                     |                           |                           |                          |                                    |                  |   |   |   |                                 |       |  |
| <b>2020</b>                      | <b>1,478,997</b>    | <b>–</b>                  | <b>14,794</b>             | <b>1,688</b>             | <b>21,003</b>                      | <b>1,500,000</b> | <b>750,000</b>                            | <b>1,178,229</b>                          | <b>(161,106)</b>                              | <b>4,783,605</b>                |       | <b>40</b>                                    |
| 2019                             | 1,409,469           | 1,430,000                 | 23,100                    | 1,621                    | 20,531                             | –                | 715,000                                   | 864,899                                   | 25,026  | 4,489,646                       |       | 30   |
| <b>Other Reported Executives</b> |                     |                           |                           |                          |                                    |                  |   |   |   |                                 |       |  |
| S McMahon <sup>4</sup>           |                     |                           |                           |                          |                                    |                  |   |   |   |                                 |       |  |
| <b>2020</b>                      | <b>828,997</b>      | <b>359,535</b>            | <b>(9,391)</b>            | <b>1,688</b>             | <b>21,003</b>                      | <b>359,535</b>   | <b>359,535</b>                            | <b>375,087</b>                            | <b>17,389</b>                                 | <b>2,313,378</b>                |       | <b>32</b>                                    |
| 2019                             | 779,469             | 595,960                   | 6,462                     | 1,621                    | 20,531                             | –                | 297,980                                   | 286,827                                   | 14,001  | 2,002,851                       |       | 29   |
| R Proutt <sup>5</sup>            |                     |                           |                           |                          |                                    |                  |   |   |   |                                 |       |  |
| <b>2020</b>                      | <b>798,997</b>      | <b>–</b>                  | <b>23,752</b>             | <b>1,688</b>             | <b>21,003</b>                      | <b>641,000</b>   | <b>320,500</b>                            | <b>459,005</b>                            | <b>15,034</b>                                 | <b>2,280,979</b>                |       | <b>34</b>                                    |
| 2019                             | 779,469             | 526,320                   | –                         | 1,621                    | 20,531                             | –                | 263,160                                   | 502,382                                   | 14,000  | 2,107,483                       |       | 36   |
| <b>Total 2020</b>                | <b>3,106,991</b>    | <b>359,535</b>            | <b>29,155</b>             | <b>5,064</b>             | <b>63,009</b>                      | <b>2,500,535</b> | <b>1,430,035</b>                          | <b>2,012,321</b>                          | <b>(128,683)</b>                              | <b>9,377,962</b>                |       | <b>37</b>                                    |
| Total 2019                       | 2,968,407           | 2,552,280                 | 29,562                    | 4,863                    | 61,593                             | –                | 1,276,140                                 | 1,654,108                                 | 53,027  | 8,599,980                       |       | 34   |

1 Shows the movement in leave accruals for the year.

2 Non-monetary benefits for FY2020 is salary continuance insurance.

3 D Harrison has elected to voluntarily defer 100% of the cash component of his FY2020 STI into rights; 50% is being deferred for a 3-year period and 50% for a 5-year period.

4 S McMahon has elected to voluntarily defer 50% of the cash component of his FY2020 STI into rights for a 3-year period.

5 R Proutt has elected to voluntarily defer 100% of the cash component of his FY2020 STI into rights; 50% is being deferred for a 3-year period and 50% for a 5-year period.

## Directors' report

For the year ended 30 June 2020

### 4.2 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 (as described above) and payment of other benefits.

The terms and conditions of employment of each executive reflect market conditions at the time of their contract. All Reported Executives' contracts are ongoing in duration. The material terms of the employment agreements for the Managing Director and Other Reported Executives are summarised below:

| Name                             | Position                        | Minimum Notice Period <sup>1</sup> |              |
|----------------------------------|---------------------------------|------------------------------------|--------------|
|                                  |                                 | Employee                           | Charter Hall |
| <b>Managing Director</b>         |                                 |                                    |              |
| David Harrison                   | Managing Director and Group CEO | 6 months                           | 12 months    |
| <b>Other Reported Executives</b> |                                 |                                    |              |
| 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.

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). Treatment of unvested incentives is dealt with in accordance with the terms of the grant (refer to STI and LTI commentary in Section 3).

### 5. Non-Executive Director remuneration

|  |   |
|--|---|
| <b>Policy</b>                          | 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.  |
| <b>Benchmarking</b>                    | Fees are set by reference to the following considerations: <ul style="list-style-type: none"> <li>– industry practice and best principles of corporate governance;</li> <li>– responsibilities and risks attaching to the role of NEDs;</li> <li>– the time commitment expected of NEDs on Group matters; and</li> <li>– reference to fees paid to NEDs of other comparable companies.</li> </ul> <p>NED fees are periodically reviewed to ensure they remain in line with general industry practice and reflect proper compensation for duties undertaken. External independent advice is sought in these circumstances.</p>   |
| <b>Fee framework</b>                   | NED fees, including committee fees, are set by the Board within the aggregate amount of \$1.7 million per annum as approved by securityholders at the AGM in November 2017.   |
|  | Under the current framework, NEDs, other than the Chair receive (inclusive of superannuation): <ul style="list-style-type: none"> <li>– Board base fee; and</li> <li>– Committee fees.</li> </ul> <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. 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> |
| <b>Remuneration outcomes</b>           | The Board determined to increase the Chair and member committee fees as detailed in the table below by 2.5%, effective 1 July 2019.   |
|  | The Board agreed to the following changes in NED fees within the current aggregate fee pool: <ul style="list-style-type: none"> <li>– The Board Chair's fee increased from \$384,000 to \$393,600;</li> <li>– Board member base fees increased from \$153,750 to \$157,590; and</li> <li>– Board Committees fees increased for both Chair and members.</li> </ul>   |
| <b>Minimum shareholding guidelines</b> | Minimum shareholding guidelines were increased in FY2019 requiring Independent Directors to hold CHC securities to the value of \$90,000 (previously \$50,000). This minimum shareholding guideline is approximately a year's base fee (net of tax) and is to be purchased over a three-year period. The valuation is based on the value of the securities at the time of purchase.   |

## Directors' report

For the year ended 30 June 2020

|   | 2020<br>\$       | 2019<br>\$       |
|---|------------------|------------------|
| <b>Summary of fee framework per annum</b>         |                  |                  |
| <b>Board</b>                                      |                  |                  |
| Chair   | 393,600          | 384,000          |
| Member  | 157,590          | 153,750          |
| <b>Audit Risk and Compliance Committee</b>        |                  |                  |
| Chair   | 42,025           | 41,000           |
| Member  | 21,010           | 20,500           |
| <b>Remuneration and Human Resources Committee</b> |                  |                  |
| Chair   | 31,515           | 30,750           |
| Member  | 15,755           | 15,375           |
| <b>Nomination Committee</b>                       |                  |                  |
| Chair   | 3,150            | 3,075            |
| Member  | 3,150            | 3,075            |
| <b>Investment Committee</b>                       |                  |                  |
| Chair   | 15,755           | 15,375           |
| Member  | 10,505           | 10,250           |
|   | <b>2020 fees</b> | <b>2019 fees</b> |
|   | \$               | \$               |
| <b>Non-Executive Director remuneration</b>        |                  |                  |
| <b>Non-Executive Directors</b>                    |                  |                  |
| D Clarke  | 393,600          | 384,000          |
| A Brennan   | 210,115          | 205,000          |
| P Garling   | 192,250          | 187,575          |
| K Moses   | 199,615          | 194,750          |
| D Ross  | 187,000          | 182,450          |
| G Paramor <sup>1</sup>                            | 189,105          | 116,011          |
| <b>Total</b>                                      | <b>1,371,685</b> | <b>1,269,786</b> |

<sup>1</sup> Greg Paramor AO was appointed a Non-Executive Director on 15 November 2018. His FY2019 remuneration reflects time in the role.

## Directors' report

For the year ended 30 June 2020

### 6. Appendix – further detail

#### 6.1 Securityholdings

##### Key Management Personnel securityholdings

| Name                                     | Opening balance at 30 Jun 2019 | Stapled securities acquired | Rights and options exercised | Stapled securities sold | Closing balance at 30 Jun 2020 |
|--|--------------------------------|-----------------------------|------------------------------|-------------------------|--------------------------------|
| <b>Directors of Charter Hall Limited</b> |                                |                             |                              |                         |                                |
| <i>Ordinary stapled securities</i>       |                                |                             |                              |                         |                                |
| D Clarke                                 | 45,875                         | –                           | –                            | –                       | 45,875                         |
| A Brennan                                | 30,000                         | –                           | –                            | –                       | 30,000                         |
| P Garling                                | 16,759                         | –                           | –                            | –                       | 16,759                         |
| K Moses                                  | 23,137                         | –                           | –                            | –                       | 23,137                         |
| D Ross                                   | –                              | 10,000                      | –                            | –                       | 10,000                         |
| G Paramor                                | –                              | 14,300                      | –                            | –                       | 14,300                         |
| <b>Managing Director</b>                 |                                |                             |                              |                         |                                |
| D Harrison                               | 1,299,764                      | –                           | 436,879                      | (357,666)               | 1,378,977                      |
| <b>Other Reported Executives</b>         |                                |                             |                              |                         |                                |
| S McMahon                                | 77,867                         | –                           | 202,474                      | (18,811)                | 261,530                        |
| R Prutt                                  | –                              | 7,000                       | 80,074                       | (17,095)                | 69,979                         |

#### 6.2 Performance Rights and Option Plan details

##### Performance rights and service rights outstanding under the PROP

| Performance rights                          |                  |                |  |
|---|------------------|----------------|--|
| Year of issue                               | Securities       | Exercise price | Vesting conditions                         |
| 2018  | 821,840          | Nil            | Absolute and relative performance criteria |
| 2019  | 979,346          | Nil            | OEPS and relative performance criteria     |
| 2020  | 698,324          | Nil            | OEPS and relative performance criteria     |
| <b>Total performance rights outstanding</b> | <b>2,499,510</b> |                |  |

| Service rights                     |                  |                |                                   |
|------------------------------------|------------------|----------------|-----------------------------------|
| Year of issue                      | Securities       | Exercise price | Vesting conditions                |
| 2018                               | 31,489           | Nil            | Service conditions                |
| 2019                               | 122,308          | Nil            | Service conditions - Deferred STI |
| 2019                               | 872,091          | Nil            | Service conditions                |
| 2020                               | 178,903          | Nil            | Service conditions - Deferred STI |
| 2020                               | 260,000          | Nil            | Service conditions                |
| <b>Total service rights issued</b> | <b>1,464,791</b> |                |                                   |

## Directors' report

For the year ended 30 June 2020

### Valuation model

The Black-Scholes-Merton methodology 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.

### Reported Executive rights – details by plan

| Type of equity                   | Rights held at 30 June 2019 | Rights                  |                                      |                           | Rights held at 30 June 2020 | Grant date | Fair value per right at grant date (\$) | Vesting date | Fair value to be expensed in future years (\$) <sup>1</sup> |
|----------------------------------|-----------------------------|-------------------------|--------------------------------------|---------------------------|-----------------------------|------------|---|--------------|---|
|                                  |                             | Granted during the year | vested and exercised during the year | forfeited during the year |                             |            |   |              |   |
| <b>Managing Director</b>         |                             |                         |                                      |                           |                             |            |   |              |   |
| D Harrison                       |                             |                         |                                      |                           |                             |            |   |              |   |
| LTI Performance Rights           | 330,178                     | –                       | 330,178                              | –                         | –                           | 25-Nov-16  | 1.39                                    | 31-Aug-19    | –   |
| LTI Performance Rights           | 294,664                     | –                       | –                                    | –                         | 294,664                     | 23-Nov-17  | 2.65                                    | 31-Aug-20    | 41,907  |
| LTI Performance Rights           | 304,238                     | –                       | –                                    | –                         | 304,238                     | 28-Nov-18  | 5.09                                    | 31-Aug-21    | 1,073,236   |
| LTI Performance Rights           | –                           | 113,706                 | –                                    | –                         | 113,706                     | 25-Nov-19  | 7.10                                    | 31-Aug-22    | 560,780   |
| LTI Performance Rights           | –                           | 113,705                 | –                                    | –                         | 113,705                     | 25-Nov-19  | 7.01                                    | 31-Aug-23    | 611,500   |
| STI Deferred Service Rights      | 57,580                      | –                       | 57,580                               | –                         | –                           | 23-Nov-17  | 5.65                                    | 31-Aug-19    | –   |
| STI Deferred Service Rights      | 49,121                      | –                       | 49,121                               | –                         | –                           | 28-Nov-18  | 6.84                                    | 31-Aug-19    | –   |
| STI Deferred Service Rights      | 49,120                      | –                       | –                                    | –                         | 49,120                      | 28-Nov-18  | 6.54                                    | 31-Aug-20    | –   |
| STI Deferred Service Rights      | –                           | 33,980                  | –                                    | –                         | 33,980                      | 25-Nov-19  | 10.44                                   | 31-Aug-20    | –   |
| STI Deferred Service Rights      | –                           | 33,980                  | –                                    | –                         | 33,980                      | 25-Nov-19  | 10.11                                   | 31-Aug-21    | –   |
| <b>Other Reported Executives</b> |                             |                         |                                      |                           |                             |            |   |              |   |
| S McMahon                        |                             |                         |                                      |                           |                             |            |   |              |   |
| LTI Performance Rights           | 112,934                     | –                       | 112,934                              | –                         | –                           | 25-Nov-16  | 1.39                                    | 31-Aug-19    | –   |
| LTI Performance Rights           | 100,763                     | –                       | –                                    | –                         | 100,763                     | 23-Nov-17  | 2.65                                    | 31-Aug-20    | 14,330  |
| LTI Performance Rights           | 98,287                      | –                       | –                                    | –                         | 98,287                      | 28-Nov-18  | 5.09                                    | 31-Aug-21    | 346,720   |
| LTI Performance Rights           | –                           | 33,917                  | –                                    | –                         | 33,917                      | 25-Nov-19  | 7.10                                    | 31-Aug-22    | 167,275   |
| LTI Performance Rights           | –                           | 33,916                  | –                                    | –                         | 33,916                      | 25-Nov-19  | 7.01                                    | 31-Aug-23    | 182,398   |
| STI Deferred Service Rights      | 18,811                      | –                       | 18,811                               | –                         | –                           | 23-Nov-17  | 5.65                                    | 31-Aug-19    | –   |
| STI Deferred Service Rights      | 19,854                      | –                       | 19,854                               | –                         | –                           | 28-Nov-18  | 6.84                                    | 31-Aug-19    | –   |
| STI Deferred Service Rights      | 50,875                      | –                       | 50,875                               | –                         | –                           | 28-Nov-18  | 6.84                                    | 31-Aug-19    | –   |
| STI Deferred Service Rights      | 19,854                      | –                       | –                                    | –                         | 19,854                      | 28-Nov-18  | 6.54                                    | 31-Aug-20    | –   |
| STI Deferred Service Rights      | –                           | 14,162                  | –                                    | –                         | 14,162                      | 25-Nov-19  | 10.44                                   | 31-Aug-20    | –   |
| STI Deferred Service Rights      | –                           | 14,161                  | –                                    | –                         | 14,161                      | 25-Nov-19  | 10.11                                   | 31-Aug-21    | –   |
| R Proutt                         |                             |                         |                                      |                           |                             |            |   |              |   |
| LTI Performance Rights           | 108,181                     | –                       | –                                    | –                         | 108,181                     | 23-Nov-17  | 2.65                                    | 31-Aug-20    | 15,385  |
| LTI Performance Rights           | 104,689                     | –                       | –                                    | –                         | 104,689                     | 28-Nov-18  | 5.09                                    | 31-Aug-21    | 369,304   |
| LTI Performance Rights           | –                           | 35,633                  | –                                    | –                         | 35,633                      | 25-Nov-19  | 7.10                                    | 31-Aug-22    | 175,738   |
| LTI Performance Rights           | –                           | 35,633                  | –                                    | –                         | 35,633                      | 25-Nov-19  | 7.01                                    | 31-Aug-23    | 191,634   |
| LTI Service Rights               | 62,979                      | –                       | 62,979                               | –                         | –                           | 23-Nov-17  | 5.68                                    | 20-Jul-19    | –   |
| LTI Service Rights               | 31,489                      | –                       | –                                    | –                         | 31,489                      | 23-Nov-17  | 5.41                                    | 20-Jul-20    | 62,435  |
| STI Deferred Service Rights      | 17,095                      | –                       | 17,095                               | –                         | –                           | 28-Nov-18  | 6.84                                    | 31-Aug-19    | –   |
| STI Deferred Service Rights      | 17,095                      | –                       | –                                    | –                         | 17,095                      | 28-Nov-18  | 6.54                                    | 31-Aug-20    | –   |
| STI Deferred Service Rights      | –                           | 12,507                  | –                                    | –                         | 12,507                      | 25-Nov-19  | 10.44                                   | 31-Aug-20    | –   |
| STI Deferred Service Rights      | –                           | 12,506                  | –                                    | –                         | 12,506                      | 25-Nov-19  | 10.11                                   | 31-Aug-21    | –   |

<sup>1</sup> 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.

### 6.3 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

For the year ended 30 June 2020

### Directors' report – unaudited 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 or payable 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 |               |
|--|--------------------|----------------|-----------------------------------|---------------|
|  | 2020               | 2019           | 2020                              | 2019          |
|  | \$                 | \$             | \$                                | \$            |
| <b>PricewaterhouseCoopers – Australian Firm</b>  |                    |                |                                   |               |
| Taxation services                                | 98,800             | 135,370        | 9,100                             | 34,520        |
| <b>PricewaterhouseCoopers – New Zealand Firm</b> |                    |                |                                   |               |
| Taxation services for DCSF                       | 5,944              | 13,164         | 5,944                             | 13,164        |
| <b>PricewaterhouseCoopers – United States</b>    |                    |                |                                   |               |
| Taxation services                                | –                  | 78,846         | –                                 | –             |
| <b>Total remuneration for taxation services</b>  | <b>104,744</b>     | <b>227,380</b> | <b>15,044</b>                     | <b>47,684</b> |
| <b>Advisory services</b>                         |                    |                |                                   |               |
| PricewaterhouseCoopers Australian firm           |                    |                |                                   |               |
| Accounting advice                                | 60,000             | 36,990         | –                                 | –             |
| <b>Total remuneration for advisory services</b>  | <b>60,000</b>      | <b>36,990</b>  | <b>–</b>                          | <b>–</b>      |
| <b>Total remuneration for non-audit services</b> | <b>164,744</b>     | <b>264,370</b> | <b>15,044</b>                     | <b>47,684</b> |

## Directors' report

For the year ended 30 June 2020

### 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. Our Group Sustainability Policy outlines our commitments to achieving a leading role in 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. Charter Hall environmental data is independently audited and in October 2020 the Group will report to the Clean Energy Regulator emissions for the measurement period 1 July 2019 to 30 June 2020. To mitigate its carbon emissions, the Group has adopted a Net Zero target of Scope 1 and Scope 2 emissions by 2030 and continues to implement resource efficiency measures across its portfolio of assets and is also exploring renewable energy generation opportunities within its office, retail and industrial portfolios.

Charter Hall also voluntarily reports annually to international organisations, such as the United Nations Principles for Responsible Investment (PRI), Dow Jones Sustainability Index (DJSI), FTSE4Good and the Carbon Disclosure Project (CDP). Charter Hall has recently submitted its 2020 PRI Report and DJSI Report (along with DJSI Reports for CQR and CLW), which address Charter Hall's environment, social and governance (ESG) practices and emissions from 1 July 2018 to 30 June 2019. Charter Hall funds (CQR, RP2, RP6, CPRF, CHOT, CPOF, DOF, PFA, BSWF, CCT, CPIF, CLP, DIF4, CLW and DVP) also voluntarily report to the Global Real Estate Sustainability Benchmark (GRESB). These funds have recently submitted their 2019 GRESB reports, which also address Charter Hall sustainability practices and emissions from 1 July 2018 to 30 June 2019.

### Labour practices

Charter Hall Group became a signatory to the UN Global Compact on 8 March 2019. Charter Hall Group released its Human Rights Policy in November 2018 and adopted the Charter Hall Supplier Code of Conduct in February 2019. These governance policies and practices can be found at <https://www.charterhall.com.au/About-Us/corporate-governance/corporate-governance-charter-hall-group> and 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, which reflects 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 [www.charterhall.com.au](http://www.charterhall.com.au).

### 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 under this section.

### 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 73.

### 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 20 August 2020. The Directors have the power to amend and re-issue the Financial Statements.



**David Clarke**  
Chair

Sydney  
20 August 2020



### 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 2020, 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 the entities it controlled during the period and Charter Hall Property Trust and the entities it controlled during the period.



**E A Barron**  
Partner  
PricewaterhouseCoopers

Sydney  
20 August 2020

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## Consolidated statements of comprehensive income

For the year ended 30 June 2020

|   | Note | Charter Hall Group |                | Charter Hall Property Trust Group |               |
|---|------|--------------------|----------------|-----------------------------------|---------------|
|   |      | 2020<br>\$'m       | 2019<br>\$'m   | 2020<br>\$'m                      | 2019<br>\$'m  |
| <b>Income</b>   |      |                    |                |                                   |               |
| Revenue   | 4    | 553.8              | 378.5          | 31.1                              | 37.5          |
| Share of net profit from equity accounted investments method  | 2,3  | 162.3              | 146.2          | 145.0                             | 128.8         |
| Net gain on sale of investments   |      | 15.5               | 2.7            | 15.5                              | 3.7           |
| <b>Total income</b>   |      | <b>731.6</b>       | <b>527.4</b>   | <b>191.6</b>                      | <b>170.0</b>  |
| <b>Expenses</b>   |      |                    |                |                                   |               |
| Employee costs  | 5    | (152.3)            | (129.6)        | –                                 | –             |
| Cost of sales   |      | (66.1)             | (51.3)         | –                                 | –             |
| Administration and other expenses   | 5    | (29.3)             | (32.5)         | (6.2)                             | (4.5)         |
| Finance costs   |      | (14.5)             | (11.5)         | (13.5)                            | (11.6)        |
| Depreciation, amortisation and impairment   |      | (31.1)             | (8.8)          | (13.6)                            | –             |
| Fair value losses from derivative financial instruments   |      | (2.8)              | (7.6)          | (2.8)                             | (7.6)         |
| Other net losses  |      | (8.8)              | (0.5)          | (8.8)                             | (0.5)         |
| <b>Total expenses</b>   |      | <b>(304.9)</b>     | <b>(241.8)</b> | <b>(44.9)</b>                     | <b>(24.2)</b> |
| <b>Profit before tax</b>  |      | <b>426.7</b>       | <b>285.6</b>   | <b>146.7</b>                      | <b>145.8</b>  |
| Income tax expense  | 6    | (78.6)             | (48.8)         | –                                 | –             |
| <b>Profit for the year</b>  |      | <b>348.1</b>       | <b>236.8</b>   | <b>146.7</b>                      | <b>145.8</b>  |
| <b>Profit for the year attributable to:</b>   |      |                    |                |                                   |               |
| Equity holders of Charter Hall Limited  |      | 201.4              | 91.0           | –                                 | –             |
| Equity holders of Charter Hall Property Trust (non-controlling interest)                                    |      | 144.5              | 144.3          | 144.5                             | 144.3         |
| <b>Profit attributable to stapled securityholders of Charter Hall Group</b>                                 |      | <b>345.9</b>       | <b>235.3</b>   | <b>144.5</b>                      | <b>144.3</b>  |
| Net profit attributable to Charter Hall Direct Diversified Consumer Staples Fund (non-controlling interest) |      | 2.2                | 1.5            | 2.2                               | 1.5           |
| <b>Profit for the year</b>  |      | <b>348.1</b>       | <b>236.8</b>   | <b>146.7</b>                      | <b>145.8</b>  |

## Consolidated statements of comprehensive income continued

For the year ended 30 June 2020

|   | Note | Charter Hall Group |              | Charter Hall Property Trust Group |              |
|---|------|--------------------|--------------|-----------------------------------|--------------|
|   |      | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| <b>Profit for the year</b>  |      | <b>348.1</b>       | <b>236.8</b> | <b>146.7</b>                      | <b>145.8</b> |
| <b>Other comprehensive income</b>   |      |                    |              |                                   |              |
| <i>Items that may be reclassified to profit or loss</i>   |      |                    |              |                                   |              |
| Exchange differences on translation of foreign operations   |      | (0.2)              | 0.1          | (0.1)                             | 0.2          |
| Changes in the fair value of cash flow hedges   |      | 1.5                | 1.4          | 1.5                               | 1.4          |
| Equity accounted fair value movements   |      | (1.3)              | 1.3          | (1.3)                             | 0.3          |
| <b>Other comprehensive income for the year</b>  |      | <b>–</b>           | <b>2.8</b>   | <b>0.1</b>                        | <b>1.9</b>   |
| <b>Total comprehensive income for the year</b>  |      | <b>348.1</b>       | <b>239.6</b> | <b>146.8</b>                      | <b>147.7</b> |
| <b>Total comprehensive income for the year is attributable to:</b>  |      |                    |              |                                   |              |
| Equity holders of Charter Hall Limited  |      | 201.3              | 91.9         | –                                 | –            |
| Equity holders of Charter Hall Property Trust (non-controlling interest)  |      | 144.6              | 146.1        | 144.6                             | 146.1        |
| <b>Total comprehensive income attributable to stapled securityholders of Charter Hall Group</b>                             |      | <b>345.9</b>       | <b>238.0</b> | <b>144.6</b>                      | <b>146.1</b> |
| Total comprehensive income attributable to Charter Hall Direct Diversified Consumer Staples Fund (non-controlling interest) |      | 2.2                | 1.6          | 2.2                               | 1.6          |
| <b>Total comprehensive income for the year</b>  |      | <b>348.1</b>       | <b>239.6</b> | <b>146.8</b>                      | <b>147.7</b> |
| <b>Basic earnings per security (cents) attributable to:</b>   |      |                    |              |                                   |              |
| Equity holders of Charter Hall Limited  |      | 43.3               | 19.5         | n/a                               | n/a          |
| Equity holders of Charter Hall Property Trust (non-controlling interest)  |      | 31.0               | 31.0         | 31.0                              | 31.0         |
| <b>Basic earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group</b>            | 8(a) | <b>74.3</b>        | <b>50.5</b>  | <b>n/a</b>                        | <b>n/a</b>   |
| <b>Diluted earnings per security (cents) attributable to:</b>   |      |                    |              |                                   |              |
| Equity holders of Charter Hall Limited  |      | 42.9               | 19.4         | n/a                               | n/a          |
| Equity holders of Charter Hall Property Trust (non-controlling interest)  |      | 30.8               | 30.7         | 30.8                              | 30.7         |
| <b>Diluted earnings per stapled security (cents) attributable to stapled securityholders of Charter Hall Group</b>          | 8(b) | <b>73.7</b>        | <b>50.1</b>  | <b>n/a</b>                        | <b>n/a</b>   |

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

## Consolidated balance sheets

As at 30 June 2020

|   | Note  | Charter Hall Group |                | Charter Hall Property Trust Group |                |
|---|-------|--------------------|----------------|-----------------------------------|----------------|
|   |       | 2020<br>\$'m       | 2019<br>\$'m   | 2020<br>\$'m                      | 2019<br>\$'m   |
| <b>Assets</b>   |       |                    |                |                                   |                |
| <i>Current assets</i>   |       |                    |                |                                   |                |
| Cash and cash equivalents   |       | 238.9              | 113.9          | 12.7                              | 50.0           |
| Receivables and other assets  | 9     | 79.3               | 177.4          | 36.6                              | 72.6           |
| Derivative financial instruments  | 15    | 3.6                | –              | 3.6                               | –              |
| <b>Total current assets</b>   |       | <b>321.8</b>       | <b>291.3</b>   | <b>52.9</b>                       | <b>122.6</b>   |
| <i>Non-current assets</i>   |       |                    |                |                                   |                |
| Receivables and other assets  | 9     | 12.3               | 11.0           | –                                 | 42.1           |
| Derivative financial instruments  | 15    | 70.0               | 40.3           | 70.0                              | 40.3           |
| Financial assets at fair value through profit or loss                             |       | 101.2              | –              | 101.2                             | –              |
| Investments in associates at fair value through profit or loss                    | 2     | 25.9               | 73.6           | 25.9                              | 73.6           |
| Development assets  |       | 29.6               | 15.5           | –                                 | –              |
| Investments accounted for using the equity method                                 | 2,3   | 1,875.4            | 1,754.3        | 1,793.5                           | 1,681.2        |
| Investment properties   | 10    | 173.8              | 118.5          | 173.8                             | 118.5          |
| Intangible assets   | 11    | 118.9              | 125.8          | –                                 | –              |
| Property, plant and equipment   |       | 20.8               | 21.8           | –                                 | –              |
| Right-of-use assets   |       | 8.5                | –              | –                                 | –              |
| Deferred tax assets   | 12    | 1.5                | 1.5            | –                                 | –              |
| <b>Total non-current assets</b>   |       | <b>2,437.9</b>     | <b>2,162.3</b> | <b>2,164.4</b>                    | <b>1,955.7</b> |
| <b>Total assets</b>   |       | <b>2,759.7</b>     | <b>2,453.6</b> | <b>2,217.3</b>                    | <b>2,078.3</b> |
| <b>Liabilities</b>  |       |                    |                |                                   |                |
| <i>Current liabilities</i>  |       |                    |                |                                   |                |
| Trade and other liabilities   | 13    | 150.1              | 136.7          | 43.0                              | 55.7           |
| Current tax liabilities   |       | 38.9               | 2.1            | –                                 | –              |
| Borrowings  | 14    | 15.9               | 7.5            | –                                 | –              |
| Lease liabilities   |       | 4.0                | –              | –                                 | –              |
| Derivative financial instruments  | 15    | 0.1                | –              | 0.1                               | –              |
| <b>Total current liabilities</b>  |       | <b>209.0</b>       | <b>146.3</b>   | <b>43.1</b>                       | <b>55.7</b>    |
| <i>Non-current liabilities</i>  |       |                    |                |                                   |                |
| Trade and other liabilities   | 13    | 3.8                | 5.9            | 20.6                              | –              |
| Derivative financial instruments  | 15    | 7.7                | 6.1            | 7.7                               | 6.1            |
| Borrowings  | 14    | 364.2              | 297.5          | 364.2                             | 297.5          |
| Lease liabilities   |       | 11.1               | –              | –                                 | –              |
| Deferred tax liabilities  | 12    | 18.2               | 37.9           | –                                 | –              |
| <b>Total non-current liabilities</b>  |       | <b>405.0</b>       | <b>347.4</b>   | <b>392.5</b>                      | <b>303.6</b>   |
| <b>Total liabilities</b>  |       | <b>614.0</b>       | <b>493.7</b>   | <b>435.6</b>                      | <b>359.3</b>   |
| <b>Net assets</b>   |       | <b>2,145.7</b>     | <b>1,959.9</b> | <b>1,781.7</b>                    | <b>1,719.0</b> |
| <b>Equity</b>   |       |                    |                |                                   |                |
| <i>Equity holders of Charter Hall Limited</i>                                     |       |                    |                |                                   |                |
| Contributed equity  | 16(a) | 289.1              | 286.7          | –                                 | –              |
| Reserves  | 17    | (33.3)             | (34.8)         | –                                 | –              |
| Accumulated profit/(losses)   |       | 108.2              | (11.0)         | –                                 | –              |
| <b>Parent entity interest</b>   |       | <b>364.0</b>       | <b>240.9</b>   | <b>–</b>                          | <b>–</b>       |
| <i>Equity holders of Charter Hall Property Trust</i>                              |       |                    |                |                                   |                |
| Contributed equity  | 16(a) | 1,436.8            | 1,448.5        | 1,436.8                           | 1,448.5        |
| Reserves  | 17    | 2.8                | 3.2            | 2.8                               | 3.2            |
| Accumulated profit  |       | 276.6              | 217.0          | 276.6                             | 217.0          |
| <b>Equity holders of Charter Hall Property Trust (non-controlling interest)</b>   |       | <b>1,716.2</b>     | <b>1,668.7</b> | <b>1,716.2</b>                    | <b>1,668.7</b> |
| Non-controlling interest in Charter Hall Direct Diversified Consumer Staples Fund | 18    | 65.5               | 50.3           | 65.5                              | 50.3           |
| <b>Total equity</b>   |       | <b>2,145.7</b>     | <b>1,959.9</b> | <b>1,781.7</b>                    | <b>1,719.0</b> |

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 2020

|  | Note | Attributable to the owners of Charter Hall Limited |  |               | Non-controlling interest<br>\$'m | Charter Hall Group<br>Total equity<br>\$'m |
|--|------|--|--|---------------|----------------------------------|--|
|  |      | Contributed equity<br>\$'m                         | Accumulated Reserves profit/(losses)<br>\$'m | Total<br>\$'m |                                  |  |
| Balance at 1 July 2018   |      | 285.7  | (45.1)                                       | (33.6)        | 207.0                            | 1,651.2                                    |
| Profit for the year  |      | –  | –  | 91.0          | 91.0                             | 145.8                                      |
| Other comprehensive income   |      | –  | 0.9  | –             | 0.9                              | 1.9  |
| <b>Total comprehensive income</b>  |      | <b>–</b>   | <b>0.9</b>                                   | <b>91.0</b>   | <b>91.9</b>                      | <b>147.7</b>                               |
| <i>Transactions with equity holders in their capacity as equity holders:</i> |      |  |  |               |                                  |  |
| Contributions of equity, net of issue costs                                  |      | –  | –  | –             | –                                | 14.4                                       |
| Buyback and issuance of securities for exercised performance rights          |      | (0.6)  | (2.5)  | –             | (3.1)                            | (5.0)                                      |
| Tax recognised direct to equity  | 6(c) | 1.6  | 3.1  | –             | 4.7                              | –  |
| Transfer due to deferred compensation payable in service rights              |      | –  | 2.0  | –             | 2.0                              | –  |
| Security-based benefit expense   |      | –  | 6.8  | –             | 6.8                              | –  |
| Dividend/distribution provided for or paid                                   | 7    | –  | –  | (68.4)        | (68.4)                           | (91.5)                                     |
| Transactions with non-controlling interests                                  |      | –  | –  | –             | –                                | 2.2  |
|  |      | 1.0  | 9.4  | (68.4)        | (58.0)                           | (79.9)                                     |
| <b>Balance at 30 June 2019</b>   |      | <b>286.7</b>                                       | <b>(34.8)</b>                                | <b>(11.0)</b> | <b>240.9</b>                     | <b>1,719.0</b>                             |
| Balance at 1 July 2019   |      | 286.7  | (34.8)                                       | (11.0)        | 240.9                            | 1,719.0                                    |
| Change in accounting policy (see Note 32(a))                                 |      | –  | –  | (0.7)         | (0.7)                            | –  |
| <b>Adjusted balance at 1 July 2019</b>                                       |      | <b>286.7</b>                                       | <b>(34.8)</b>                                | <b>(11.7)</b> | <b>240.2</b>                     | <b>1,719.0</b>                             |
| Profit for the year  |      | –  | –  | 201.4         | 201.4                            | 146.7                                      |
| Other comprehensive income/(loss)  |      | –  | (0.1)  | –             | (0.1)                            | 0.1  |
| <b>Total comprehensive income/(loss)</b>                                     |      | <b>–</b>   | <b>(0.1)</b>                                 | <b>201.4</b>  | <b>201.3</b>                     | <b>146.8</b>                               |
| <i>Transactions with equity holders in their capacity as equity holders:</i> |      |  |  |               |                                  |  |
| Contributions of equity, net of issue costs                                  |      | –  | –  | –             | –                                | 17.1                                       |
| Buyback and issuance of securities for exercised performance rights          |      | (1.6)  | (6.7)  | –             | (8.3)                            | (11.7)                                     |
| Tax recognised direct to equity  | 6(c) | 4.0  | (3.5)  | –             | 0.5                              | –  |
| Transfer due to deferred compensation payable in service rights              |      | –  | 2.1  | –             | 2.1                              | –  |
| Security-based benefit expense   |      | –  | 9.7  | –             | 9.7                              | –  |
| Dividend/distribution provided for or paid                                   | 7    | –  | –  | (81.5)        | (81.5)                           | (89.1)                                     |
| Transactions with non-controlling interests                                  |      | –  | –  | –             | –                                | (0.4)                                      |
|  |      | 2.4  | 1.6  | (81.5)        | (77.5)                           | (84.1)                                     |
| <b>Balance at 30 June 2020</b>   |      | <b>289.1</b>                                       | <b>(33.3)</b>                                | <b>108.2</b>  | <b>364.0</b>                     | <b>1,781.7</b>                             |

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 2020

|  | Note  | Attributable to the owners of the<br>Charter Hall Property Trust Group |                  |  | Non-<br>controlling<br>interest<br>\$'m | Total<br>equity<br>\$'m |                |
|--|-------|--|------------------|--|---|-------------------------|----------------|
|  |       | Contributed<br>equity<br>\$'m  | Reserves<br>\$'m | Accumulated<br>profit/(losses)<br>\$'m |   |                         | Total<br>\$'m  |
| Balance at 1 July 2018   |       | 1,453.5  | 0.9              | 161.2                                  | 1,615.6                                 | 35.6                    | 1,651.2        |
| Profit for the year  |       | –  | –                | 144.3                                  | 144.3                                   | 1.5                     | 145.8          |
| Other comprehensive income   |       | –  | 1.8              | –                                      | 1.8                                     | 0.1                     | 1.9            |
| <b>Total comprehensive income</b>  |       | –  | 1.8              | 144.3                                  | 146.1                                   | 1.6                     | 147.7          |
| <i>Transactions with equity holders in their capacity as equity holders:</i> |       |  |                  |  |   |                         |                |
| Contributions of equity, net of issue costs                                  | 16(b) | –  | –                | –                                      | –                                       | 14.4                    | 14.4           |
| Buyback and issuance of securities for exercised performance rights          |       | (5.0)  | –                | –                                      | (5.0)                                   | –                       | (5.0)          |
| Dividend/distribution provided for or paid                                   | 7     | –  | –                | (88.5)                                 | (88.5)                                  | (3.0)                   | (91.5)         |
| Transactions with non-controlling interests                                  |       | –  | 0.5              | –                                      | 0.5                                     | 1.7                     | 2.2            |
|  |       | (5.0)  | 0.5              | (88.5)                                 | (93.0)                                  | 13.1                    | (79.9)         |
| <b>Balance at 30 June 2019</b>   |       | <b>1,448.5</b>   | <b>3.2</b>       | <b>217.0</b>                           | <b>1,668.7</b>                          | <b>50.3</b>             | <b>1,719.0</b> |
| Balance at 1 July 2019   |       | 1,448.5  | 3.2              | 217.0                                  | 1,668.7                                 | 50.3                    | 1,719.0        |
| Profit for the year  |       | –  | –                | 144.5                                  | 144.5                                   | 2.2                     | 146.7          |
| Other comprehensive income   |       | –  | 0.1              | –                                      | 0.1                                     | –                       | 0.1            |
| <b>Total comprehensive income</b>  |       | –  | 0.1              | 144.5                                  | 144.6                                   | 2.2                     | 146.8          |
| <i>Transactions with equity holders in their capacity as equity holders:</i> |       |  |                  |  |   |                         |                |
| Contributions of equity, net of issue costs                                  |       | –  | –                | –                                      | –                                       | 17.1                    | 17.1           |
| Buyback and issuance of securities for exercised performance rights          |       | (11.7)   | –                | –                                      | (11.7)                                  | –                       | (11.7)         |
| Dividend/distribution provided for or paid                                   | 7     | –  | –                | (84.9)                                 | (84.9)                                  | (4.2)                   | (89.1)         |
| Transactions with non-controlling interests                                  |       | –  | (0.5)            | –                                      | (0.5)                                   | 0.1                     | (0.4)          |
|  |       | (11.7)   | (0.5)            | (84.9)                                 | (97.1)                                  | 13.0                    | (84.1)         |
| <b>Balance at 30 June 2020</b>   |       | <b>1,436.8</b>   | <b>2.8</b>       | <b>276.6</b>                           | <b>1,716.2</b>                          | <b>65.5</b>             | <b>1,781.7</b> |

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

## Consolidated cash flow statements

For the year ended 30 June 2020

|  | Note | Charter Hall Group |                | Charter Hall Property Trust Group |                |
|--|------|--------------------|----------------|-----------------------------------|----------------|
|  |      | 2020<br>\$'m       | 2019<br>\$'m   | 2020<br>\$'m                      | 2019<br>\$'m   |
| <b>Cash flows from operating activities</b>  |      |                    |                |                                   |                |
| Receipts from customers (inclusive of GST)   |      | 650.3              | 340.3          | 21.8                              | 22.6           |
| Payments to suppliers and employees (inclusive of GST)   |      | (293.9)            | (212.5)        | (8.5)                             | (3.9)          |
| Tax paid   |      | (57.7)             | (48.3)         | –                                 | –              |
| Interest received  |      | 2.1                | 3.8            | 1.1                               | 1.3            |
| Interest paid  |      | (12.6)             | (9.7)          | (12.2)                            | (2.2)          |
| Distributions and dividends from investments   |      | 114.4              | 112.8          | 102.5                             | 90.8           |
| <b>Net cash inflow from operating activities</b>   | 20   | <b>402.6</b>       | <b>186.4</b>   | <b>104.7</b>                      | <b>108.6</b>   |
| <b>Cash flows from investing activities</b>  |      |                    |                |                                   |                |
| Payments for property, plant and equipment (net of lease incentive received)                   |      | (6.9)              | (5.9)          | –                                 | –              |
| Proceeds on disposal of investment properties  |      | –                  | 4.0            | –                                 | 4.0            |
| Payments for investment properties   |      | (55.9)             | (59.0)         | (55.9)                            | (59.0)         |
| Payment for acquisition of subsidiary (net of cash acquired)                                   |      | –                  | (192.1)        | –                                 | –              |
| Investments in associates, joint ventures and financial assets                                 |      | (529.0)            | (199.5)        | (514.8)                           | (296.9)        |
| Proceeds on disposal and return of capital from investments in associates and joint ventures   |      | 400.1              | 201.3          | 390.4                             | 160.4          |
| Loans to associates, joint ventures and related parties  |      | (4.3)              | (39.4)         | (375.1)                           | (496.9)        |
| Repayments of loans from associates, joint ventures and related parties                        |      | 51.4               | 34.9           | 485.2                             | 429.0          |
| <b>Net cash outflow from investing activities</b>  |      | <b>(144.6)</b>     | <b>(255.7)</b> | <b>(70.2)</b>                     | <b>(259.4)</b> |
| Buy back of stapled securities   |      | (20.1)             | (8.2)          | (17.4)                            | (7.2)          |
| Borrowing costs paid   |      | (0.9)              | (2.0)          | (0.8)                             | (9.5)          |
| Proceeds from borrowings (net of borrowing costs)  |      | 331.1              | 307.8          | 321.0                             | 303.9          |
| Repayment of borrowings  |      | (290.3)            | (72.1)         | (286.7)                           | (45.8)         |
| Payment for Settlement of Derivatives  |      | (1.6)              | –              | (1.6)                             | –              |
| Principal elements of lease payments   |      | (1.9)              | –              | –                                 | –              |
| Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control |      | 16.5               | 18.2           | 16.5                              | 18.2           |
| Distributions to non-controlling interests   |      | (4.2)              | (3.1)          | (4.2)                             | (3.1)          |
| Dividends/distributions paid to stapled securityholders  |      | (161.6)            | (152.3)        | (98.6)                            | (88.5)         |
| <b>Net cash inflow/(outflow) from financing activities</b>                                     |      | <b>(133.0)</b>     | <b>88.3</b>    | <b>(71.8)</b>                     | <b>168.0</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                                    |      | <b>125.0</b>       | <b>19.0</b>    | <b>(37.3)</b>                     | <b>17.2</b>    |
| Cash and cash equivalents at the beginning of the year   |      | 113.9              | 94.9           | 50.0                              | 32.8           |
| <b>Cash and cash equivalents at the end of the year</b>  |      | <b>238.9</b>       | <b>113.9</b>   | <b>12.7</b>                       | <b>50.0</b>    |

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 2020

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 12 Deferred tax
- Note 24 Controlled entities

In preparing its financial statements the Group has considered the current and ongoing impact that the COVID-19 pandemic has had on its business operations. A \$13.6m impairment was recorded for the Group's investments in Charter Hall Retail REIT, and Charter Social Infrastructure REIT. Other than this impairment, the Group's strategic focus on resilient property investments and funds management revenue streams has contributed to the COVID-19 pandemic having no identifiable material adverse impact on the Group's financial result.

With the potential and uncertain economic impacts of COVID-19, future property valuations, investment and development activity and property funds management revenue could be adversely impacted.

Further disclosure is included in the following notes;

- Investments in associates Note 2(b);
- Revenue Note 4(a);
- Intangibles Note 11(b);
- 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.

Segment earnings reviewed by the Board ceased to allocate net operating expenses to segments. This has been reflected in the tables contained in this note, including restating the comparatives. This change did not impact the total segment income reported in the prior period. In assessing the financial performance of the business, net operating expenses are primarily related to the Property 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.

#### Property 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 and provided to the Board.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

## 1 Segment information continued

### (b) Operating segments

The operating segments reported to the Board for the year ended 30 June 2020 are as follows:

|   | 2020<br>\$'m | 2019<br>\$'m |
|---|--------------|--------------|
| <b>Property investment segment earnings</b>                       | <b>120.0</b> | <b>110.8</b> |
| <b>Development investment segment earnings</b>                    | <b>17.1</b>  | <b>7.8</b>   |
| <i>Property funds management</i>                                  |              |              |
| Investment management revenue                                     | 357.1        | 210.3        |
| Property services revenue   | 55.2         | 52.6         |
| <b>Total Property funds management segment revenue</b>            | <b>412.3</b> | <b>262.9</b> |
| <b>Total segment income</b>                                       | <b>549.4</b> | <b>381.5</b> |
| Net operating expenses  | (90.1)       | (78.0)       |
| Corporate expenses  | (33.2)       | (28.3)       |
| <b>EBITDA</b>   | <b>426.1</b> | <b>275.2</b> |
| Depreciation  | (10.6)       | (4.7)        |
| Net interest expense  | (11.9)       | (8.3)        |
| <b>Operating earnings before tax</b>                              | <b>403.6</b> | <b>262.2</b> |
| Income tax expense  | (80.8)       | (41.5)       |
| <b>Operating earnings attributable to stapled securityholders</b> | <b>322.8</b> | <b>220.7</b> |
| Basic weighted average number of securities ('m)                  | 465.8        | 465.8        |
| <b>Operating earnings per stapled security (cents)</b>            | <b>69.3</b>  | <b>47.4</b>  |

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:

|  | 2020<br>\$'m  | 2019<br>\$'m |
|--|---------------|--------------|
| <b>Operating earnings attributable to stapled securityholders</b>            | <b>322.8</b>  | 220.7        |
| Add: Net fair value movements on equity accounted investments <sup>1</sup>   | <b>67.8</b>   | 75.8         |
| Add: Gain on disposal of property investments <sup>1</sup>                   | <b>6.9</b>    | 1.9          |
| Add: Non-operating income tax benefit/(expense)                              | <b>2.2</b>    | (7.3)        |
| Less: Realised and unrealised net gains/(losses) on derivatives <sup>1</sup> | <b>(14.9)</b> | (29.0)       |
| Less: Impairment of equity accounted investments                             | <b>(13.6)</b> | –            |
| Less: Performance fees expense <sup>1</sup>                                  | <b>(6.0)</b>  | (7.0)        |
| Less: Non-operating business combination acquisition costs                   | <b>(4.4)</b>  | (8.3)        |
| Less: Amortisation of intangibles  | <b>(6.9)</b>  | (4.1)        |
| Less: Other <sup>1</sup>   | <b>(8.0)</b>  | (7.4)        |
| <b>Statutory profit after tax attributable to stapled securityholders</b>    | <b>345.9</b>  | 235.3        |

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

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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

|   | 2020<br>\$'m | 2019<br>\$'m |
|---|--------------|--------------|
| Segment earnings – property investments   | 120.0        | 110.8        |
| Segment earnings – development investments                                      | 17.1         | 7.8          |
| <b>Segment earnings – investments</b>   | <b>137.1</b> | <b>118.6</b> |
| Add: Non-operating equity accounted profit                                      | 38.9         | 37.4         |
| Less: Development profit  | (5.5)        | (2.3)        |
| Less: Net rental income   | (3.3)        | (3.3)        |
| Less: Interest income on development investments                                | (1.3)        | (1.4)        |
| Less: Distributions in operating income   | (3.6)        | (2.8)        |
| <b>Share of net profit of investments accounted for using the equity method</b> | <b>162.3</b> | <b>146.2</b> |

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

|   | 2020<br>\$'m | 2019<br>\$'m |
|---|--------------|--------------|
| Investment management revenue   | 357.1        | 210.3        |
| Property services revenue   | 55.2         | 52.6         |
| <b>Segment revenue – property funds management</b>                      | <b>412.3</b> | <b>262.9</b> |
| Add: recovery of property and fund-related expenses                     | 53.4         | 46.3         |
| Add: proceeds from sale of development assets                           | 70.2         | 53.5         |
| Add: rental income  | 10.9         | 8.6          |
| Add: interest income  | 3.4          | 4.4          |
| Add: distributions received for investments accounted for at fair value | 3.6          | 2.8          |
| <b>Revenue per statement of comprehensive income</b>                    | <b>553.8</b> | <b>378.5</b> |

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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 2 Investment in associates

(a) Carrying amounts

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

| Charter Hall Group<br>Name of entity                                   | Principal activity  | Ownership interest |           | Carrying amount |                |
|--|---------------------|--------------------|-----------|-----------------|----------------|
|  |                     | 2020<br>%          | 2019<br>% | 2020<br>\$'m    | 2019<br>\$'m   |
| <b>Accounted for at fair value through profit or loss:<sup>1</sup></b> |                     |                    |           |                 |                |
| <i>Unlisted</i>  |                     |                    |           |                 |                |
| Charter Hall Maxim Property Securities Fund                            | Property investment | 15.1               | 19.0      | 20.4            | 25.4           |
| Other associates   |                     |                    |           | 5.5             | 0.6            |
|  |                     |                    |           | <b>25.9</b>     | <b>26.0</b>    |
| <b>Equity accounted</b>  |                     |                    |           |                 |                |
| <i>Unlisted</i>  |                     |                    |           |                 |                |
| Charter Hall Prime Office Fund   | Property investment | 6.2                | 7.1       | 312.9           | 291.1          |
| Charter Hall Office Trust <sup>2</sup>                                 | Property investment | 15.7               | 15.7      | 293.5           | 263.7          |
| Charter Hall Prime Industrial Fund                                     | Property investment | 3.6                | 4.0       | 131.4           | 126.9          |
| Core Logistics Partnership   | Property investment | 6.9                | 9.2       | 85.0            | 105.9          |
| Charter Hall Exchange Wholesale Trust                                  | Property investment | 21.8               | –         | 70.1            | –              |
| Deep Value Partnership   | Property investment | 13.0               | 11.1      | 35.5            | 4.6            |
| Other associates   |                     |                    |           | 50.1            | 28.3           |
| <i>Listed</i>  |                     |                    |           |                 |                |
| Charter Hall Retail REIT <sup>3</sup>                                  | Property investment | 9.9                | 16.2      | 207.9           | 299.6          |
| Charter Hall Long WALE REIT <sup>4</sup>                               | Property investment | 12.2               | 15.2      | 271.4           | 200.8          |
| Charter Hall Social Infrastructure REIT <sup>5</sup>                   | Property investment | 8.9                | 13.1      | 90.8            | 117.6          |
|  |                     |                    |           | <b>1,548.6</b>  | <b>1,438.5</b> |
| <b>Total investments in associates</b>                                 |                     |                    |           | <b>1,574.5</b>  | <b>1,464.5</b> |

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 2020 was \$189.3 million (30 June 2019: \$311.7 million).

4 Fair value at the ASX closing price as at 30 June 2020 was \$255.5 million (30 June 2019: \$245.9 million).

5 Fair value at the ASX closing price as at 30 June 2020 was \$75.1 million (30 June 2019: \$143.7 million).

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 2 Investment in associates continued

| Charter Hall Property Trust Group<br>Name of entity                    | Principal activity  | Ownership interest |           | Carrying amount |                |
|--|---------------------|--------------------|-----------|-----------------|----------------|
|  |                     | 2020<br>%          | 2019<br>% | 2020<br>\$'m    | 2019<br>\$'m   |
| <b>Accounted for at fair value through profit or loss:<sup>1</sup></b> |                     |                    |           |                 |                |
| <i>Unlisted</i>  |                     |                    |           |                 |                |
| Charter Hall Maxim Property Securities Fund                            | Property investment | 15.1               | 19.0      | 20.4            | 25.4           |
| Other associates   |                     |                    |           | 5.5             | 0.6            |
|  |                     |                    |           | <b>25.9</b>     | <b>26.0</b>    |
| <b>Equity accounted</b>  |                     |                    |           |                 |                |
| <i>Unlisted</i>  |                     |                    |           |                 |                |
| Charter Hall Prime Office Fund   | Property investment | 5.9                | 6.7       | 297.1           | 275.6          |
| Charter Hall Office Trust <sup>2</sup>                                 | Property investment | 15.7               | 15.7      | 293.5           | 263.7          |
| Core Logistics Partnership   | Property investment | 6.9                | 9.2       | 85.0            | 105.9          |
| Charter Hall Exchange Wholesale Trust                                  | Property investment | 21.8               | –         | 70.1            | –              |
| Charter Hall Prime Industrial Fund                                     | Property investment | 1.7                | 1.9       | 62.2            | 61.1           |
| Deep Value Partnership   | Property investment | 13.0               | 11.1      | 35.5            | 4.6            |
| Other associates   |                     |                    |           | 48.5            | 22.6           |
| <i>Listed</i>  |                     |                    |           |                 |                |
| Charter Hall Retail REIT <sup>3</sup>                                  | Property investment | 9.9                | 16.2      | 207.9           | 299.6          |
| Charter Hall Long WALE REIT <sup>4</sup>                               | Property investment | 12.2               | 15.2      | 271.4           | 200.8          |
| Charter Hall Social Infrastructure REIT <sup>5</sup>                   | Property investment | 8.9                | 13.1      | 115.7           | 142.6          |
|  |                     |                    |           | <b>1,486.9</b>  | <b>1,376.5</b> |
| <b>Total investments in associates</b>                                 |                     |                    |           | <b>1,512.8</b>  | <b>1,402.5</b> |

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 2020 was \$189.3 million (30 June 2019: \$311.7 million).

4 Fair value at the ASX closing price as at 30 June 2020 was \$255.5 million (30 June 2019: \$245.9 million).

5 Fair value at the ASX closing price as at 30 June 2020 was \$75.1 million (30 June 2019: \$143.7 million).

#### (b) Critical judgements

Investments in associates are accounted for at either fair value through profit or loss or by using the equity method. CHPT 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 Retail REIT investment and Charter Social Infrastructure REIT investment were estimated through a value in use calculation with the following critical judgements and estimates:

- cash flow projections reflecting upside, base case and downside scenarios were used; applying probability weightings based on historical market guidance accuracy;
- base case cash flow projections covering a 3-5 year period based on financial budgets approved by management. Cash flows beyond the 3-5 year period are extrapolated using estimated growth rates appropriate for the business;
- pre-tax discount rate 7%-8%;
- growth after 5 years of 1-2% per annum; and
- terminal value multiple of 14-18 times earnings.

As a result of these estimates, impairment of \$13.6m was recorded for Charter Hall Retail REIT and Charter Hall Social Infrastructure REIT. If the multiplier assumptions were to increase/decrease by 1x, value in use would increase/decrease by 5-6%.

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 investment property are outlined in note 22(d).

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 2 Investment in associates continued

(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 |              |
|---|--------------------|--------------|-----------------------------------|--------------|
|   | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| Opening balance   | 26.0               | 32.4         | 26.0                              | 32.4         |
| Investment  | 5.2                | 25.4         | 5.2                               | 25.4         |
| Net (loss)/gain on investment in associates at fair value | (5.1)              | 0.8          | (5.1)                             | 0.8          |
| Return of capital   | –                  | (1.4)        | –                                 | (1.4)        |
| Disposal of units   | (0.2)              | (31.2)       | (0.2)                             | (31.2)       |
| <b>Closing balance</b>                                    | <b>25.9</b>        | <b>26.0</b>  | <b>25.9</b>                       | <b>26.0</b>  |

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

|                                   | Charter Hall Group |                | Charter Hall Property Trust Group |                |
|-----------------------------------|--------------------|----------------|-----------------------------------|----------------|
|                                   | 2020<br>\$'m       | 2019<br>\$'m   | 2020<br>\$'m                      | 2019<br>\$'m   |
| Opening balance                   | 1,438.5            | 1,336.6        | 1,376.5                           | 1,262.8        |
| Investment                        | 293.5              | 202.5          | 293.4                             | 199.7          |
| Share of profit after income tax  | 146.4              | 125.5          | 137.8                             | 111.1          |
| Distributions received/receivable | (84.9)             | (80.8)         | (79.9)                            | (73.9)         |
| Share of movement in reserves     | (0.6)              | 1.7            | (0.6)                             | 0.7            |
| Impairment of carrying amount     | (13.6)             | –              | (13.6)                            | –              |
| Divestments                       | (203.7)            | (135.7)        | (199.7)                           | (114.5)        |
| Return of Capital                 | (27.0)             | (11.3)         | (27.0)                            | (9.4)          |
| <b>Closing balance</b>            | <b>1,548.6</b>     | <b>1,438.5</b> | <b>1,486.9</b>                    | <b>1,376.5</b> |

(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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 2 Investment in associates continued

|  | Charter Hall<br>Office Trust<br>\$'m | Charter Hall<br>Retail REIT<br>\$'m | Charter Hall<br>Prime Office<br>Fund<br>\$'m | Charter Hall<br>Long WALE<br>REIT<br>\$'m |
|--|--------------------------------------|-------------------------------------|--|---|
| <b>2020</b>  |                                      |                                     |  |   |
| <b>Summarised balance sheet:</b>                     |                                      |                                     |  |   |
| Current assets                                       | 143.0                                | 104.7                               | 165.4  | 59.6                                      |
| Non-current assets                                   | 3,463.9                              | 3,005.4                             | 6,641.9                                      | 3,026.9                                   |
| Current liabilities                                  | 43.1                                 | 98.4                                | 101.2  | 50.6                                      |
| Non-current liabilities                              | 1,700.1                              | 869.6                               | 1,655.9                                      | 850.0                                     |
| <b>Net assets</b>                                    | <b>1,863.7</b>                       | <b>2,142.1</b>                      | <b>5,050.2</b>                               | <b>2,185.9</b>                            |
| <b>Summarised statement of comprehensive income:</b> |                                      |                                     |  |   |
| Revenue  | 110.5                                | 206.1                               | 310.9  | 126.7                                     |
| Profit for the year from continuing operations       | 377.3                                | 44.2                                | 283.5  | 122.4                                     |
| Other comprehensive income                           | –                                    | 1.2                                 | 1.0  | –   |
| <b>Total comprehensive income</b>                    | <b>377.3</b>                         | <b>45.4</b>                         | <b>284.5</b>                                 | <b>122.4</b>                              |
| <b>2019</b>  |                                      |                                     |  |   |
| <b>Summarised balance sheet:</b>                     |                                      |                                     |  |   |
| Current assets                                       | 17.8                                 | 86.8                                | 104.8  | 18.7                                      |
| Non-current assets                                   | 3,063.6                              | 2,821.5                             | 5,401.5                                      | 1,886.3                                   |
| Current liabilities                                  | 157.8                                | 95.6                                | 73.3   | 45.2                                      |
| Non-current liabilities                              | 1,249.5                              | 1,012.0                             | 1,301.7                                      | 538.4                                     |
| <b>Net assets</b>                                    | <b>1,674.1</b>                       | <b>1,800.7</b>                      | <b>4,131.3</b>                               | <b>1,321.4</b>                            |
| <b>Summarised statement of comprehensive income:</b> |                                      |                                     |  |   |
| Revenue  | 105.7                                | 202.0                               | 254.8  | 85.6                                      |
| Profit for the year from continuing operations       | 243.9                                | 53.1                                | 373.5  | 69.6                                      |
| Other comprehensive income                           | –                                    | 1.5                                 | 1.1  | –   |
| <b>Total comprehensive income</b>                    | <b>243.9</b>                         | <b>54.6</b>                         | <b>374.6</b>                                 | <b>69.6</b>                               |

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 2 Investment in associates continued

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

|  | Charter Hall<br>Office Trust<br>\$'m | Charter Hall<br>Retail REIT<br>\$'m | Charter Hall<br>Prime Office<br>Fund<br>\$'m | Charter Hall<br>Long WALE<br>REIT<br>\$'m |
|--|--------------------------------------|-------------------------------------|--|---|
| <b>Charter Hall Group</b>  |                                      |                                     |  |   |
| <b>2020</b>  |                                      |                                     |  |   |
| Net assets of associate  | 1,863.7                              | 2,142.1                             | 5,050.2                                      | 2,185.9                                   |
| Group's share in %   | 15.7%                                | 9.9%                                | 6.2%   | 12.2%                                     |
| Group's share in \$  | 292.6                                | 212.1                               | 313.1  | 266.7                                     |
| Other movements not accounted for under the equity method <sup>1</sup> | 0.9                                  | (4.2)                               | (0.2)  | 4.7                                       |
| <b>Carrying amount</b>   | <b>293.5</b>                         | <b>207.9</b>                        | <b>312.9</b>                                 | <b>271.4</b>                              |
| <b>Movements in carrying amounts:</b>                                  |                                      |                                     |  |   |
| Opening balance  | 263.7                                | 299.6                               | 291.1  | 200.8                                     |
| Investment   | –                                    | 2.5                                 | 17.5   | 56.7                                      |
| Share of profit after income tax                                       | 59.3                                 | 8.8                                 | 19.6   | 20.4                                      |
| Other comprehensive income   | –                                    | 0.5                                 | 0.2  | –   |
| Impairment of carrying amount  | –                                    | (9.5)                               | –  | –   |
| Distributions received/receivable                                      | (12.2)                               | (15.5)                              | (14.5)                                       | (16.2)                                    |
| Divestment   | –                                    | (78.5)                              | (1.0)  | 9.7                                       |
| Return of capital  | (17.3)                               | –                                   | –  | –   |
| <b>Closing balance</b>   | <b>293.5</b>                         | <b>207.9</b>                        | <b>312.9</b>                                 | <b>271.4</b>                              |
| <b>2019</b>  |                                      |                                     |  |   |
| Net assets of associate  | 1,674.1                              | 1,800.7                             | 4,131.3                                      | 1,321.4                                   |
| Group's share in %   | 15.7%                                | 16.2%                               | 7.1%   | 15.2%                                     |
| Group's share in \$  | 262.8                                | 291.7                               | 293.3  | 200.9                                     |
| Other movements not accounted for under the equity method <sup>1</sup> | 0.9                                  | 7.9                                 | (2.2)  | (0.1)                                     |
| <b>Carrying amount</b>   | <b>263.7</b>                         | <b>299.6</b>                        | <b>291.1</b>                                 | <b>200.8</b>                              |
| <b>Movements in carrying amounts:</b>                                  |                                      |                                     |  |   |
| Opening balance  | 246.4                                | 327.6                               | 258.8  | 195.2                                     |
| Investment   | –                                    | –                                   | 17.5   | 27.2                                      |
| Share of profit after income tax                                       | 38.4                                 | 9.7                                 | 28.0   | 12.5                                      |
| Other comprehensive income   | –                                    | 0.1                                 | 0.2  | –   |
| Distributions received/receivable                                      | (11.7)                               | (20.5)                              | (13.4)                                       | (13.7)                                    |
| Divestment   | –                                    | (17.3)                              | –  | (20.4)                                    |
| Return of capital  | (9.4)                                | –                                   | –  | –   |
| <b>Closing balance</b>   | <b>263.7</b>                         | <b>299.6</b>                        | <b>291.1</b>                                 | <b>200.8</b>                              |

<sup>1</sup> 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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 2 Investment in associates continued

|  | Charter Hall<br>Office Trust<br>\$'m | Charter Hall<br>Retail REIT<br>\$'m | Charter Hall<br>Prime Office<br>Fund<br>\$'m | Charter Hall<br>Long WALE<br>REIT<br>\$'m |
|--|--------------------------------------|-------------------------------------|--|---|
| <b>Charter Hall Property Trust Group</b>                               |                                      |                                     |  |   |
| <b>2020</b>  |                                      |                                     |  |   |
| Net assets of associate  | 1,863.7                              | 2,142.1                             | 5,050.2                                      | 2,185.9                                   |
| Group's share in %   | 15.7%                                | 9.9%                                | 5.9%   | 12.2%                                     |
| Group's share in \$  | 292.6                                | 212.1                               | 298.0  | 266.7                                     |
| Other movements not accounted for under the equity method <sup>1</sup> | 0.9                                  | (4.2)                               | (0.9)  | 4.7                                       |
| <b>Carrying amount</b>   | <b>293.5</b>                         | <b>207.9</b>                        | <b>297.1</b>                                 | <b>271.4</b>                              |
| <b>Movements in carrying amounts:</b>                                  |                                      |                                     |  |   |
| Opening balance  | 263.7                                | 299.6                               | 275.6  | 200.8                                     |
| Investment   | –                                    | 2.5                                 | 17.5   | 56.7                                      |
| Share of profit after income tax                                       | 59.3                                 | 8.8                                 | 18.6   | 20.4                                      |
| Other comprehensive income   | –                                    | 0.5                                 | 0.2  | –   |
| Impairment of carrying amount  | –                                    | (9.5)                               | –  | –   |
| Distributions received/receivable                                      | (12.2)                               | (15.5)                              | (13.8)                                       | (16.2)                                    |
| Divestment   | –                                    | (78.5)                              | 1.4  | 9.7                                       |
| Return of capital  | (17.3)                               | –                                   | (2.4)  | –   |
| <b>Closing balance</b>   | <b>293.5</b>                         | <b>207.9</b>                        | <b>297.1</b>                                 | <b>271.4</b>                              |
| <b>2019</b>  |                                      |                                     |  |   |
| Net assets of associate  | 1,674.1                              | 1,800.7                             | 4,131.3                                      | 1,321.4                                   |
| Group's share in %   | 15.7%                                | 16.2%                               | 6.7%   | 15.2%                                     |
| Group's share in \$  | 262.8                                | 291.7                               | 276.8  | 200.9                                     |
| Other movements not accounted for under the equity method <sup>1</sup> | 0.9                                  | 7.9                                 | (1.2)  | (0.1)                                     |
| <b>Carrying amount</b>   | <b>263.7</b>                         | <b>299.6</b>                        | <b>275.6</b>                                 | <b>200.8</b>                              |
| <b>Movements in carrying amounts:</b>                                  |                                      |                                     |  |   |
| Opening balance  | 246.4                                | 327.6                               | 244.1  | 195.2                                     |
| Investment   | –                                    | –                                   | 17.5   | 27.2                                      |
| Share of profit after income tax                                       | 38.4                                 | 9.7                                 | 26.4   | 12.5                                      |
| Other comprehensive income   | –                                    | 0.1                                 | 0.2  | –   |
| Distributions received/receivable                                      | (11.7)                               | (20.5)                              | (12.6)                                       | (13.7)                                    |
| Divestment   | –                                    | (17.3)                              | –  | (20.4)                                    |
| Return of capital  | (9.4)                                | –                                   | –  | –   |
| <b>Closing balance</b>   | <b>263.7</b>                         | <b>299.6</b>                        | <b>275.6</b>                                 | <b>200.8</b>                              |

<sup>1</sup> 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 \$129.5 million (2019: \$471.1 million) relating to investment properties.

Charter Hall Office Trust's (CHOT) capital expenditure contracted for at the reporting date but not recognised as liabilities was \$199.1 million (2019: nil) relating to investment properties.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 3 Investments in joint ventures

#### (a) Carrying amounts

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

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

| Charter Hall Group<br>Name of entity                       | Principal activity  | Ownership interest |           | Carrying amount |              |
|--|---------------------|--------------------|-----------|-----------------|--------------|
|  |                     | 2020<br>%          | 2019<br>% | 2020<br>\$'m    | 2019<br>\$'m |
| <b>Accounted for at fair value through profit or loss:</b> |                     |                    |           |                 |              |
| <i>Unlisted</i>  |                     |                    |           |                 |              |
| CHAB Office Trust  | Property investment | –                  | 50.0      | –               | 47.6         |
|  |                     |                    |           | –               | 47.6         |
| <b>Equity accounted</b>                                    |                     |                    |           |                 |              |
| <i>Unlisted</i>  |                     |                    |           |                 |              |
| Brisbane Square Wholesale Fund                             | Property investment | 16.8               | 16.8      | 101.8           | 104.8        |
| Long WALE Hardware Partnership <sup>1</sup>                | Property investment | 13.4               | 13.5      | 123.6           | 96.5         |
| Charter Hall Prime Retail Fund                             | Property investment | 29.4               | 29.4      | 47.3            | 56.6         |
| Retail Partnership No. 6 Trust                             | Property investment | –                  | 20.0      | –               | 35.9         |
| Other joint ventures                                       |                     |                    |           | 54.1            | 22.0         |
|  |                     |                    |           | 326.8           | 315.8        |
| <b>Total investments in joint ventures</b>                 |                     |                    |           | <b>326.8</b>    | <b>363.4</b> |

<sup>1</sup> Ownership interest is calculated as the weighted average holding of BP Fund 1, BP Fund 2 and TTP Wholesale Fund.

| Charter Hall Property Trust Group<br>Name of entity        | Principal activity  | Ownership interest |           | Carrying amount |              |
|--|---------------------|--------------------|-----------|-----------------|--------------|
|  |                     | 2020<br>%          | 2019<br>% | 2020<br>\$'m    | 2019<br>\$'m |
| <b>Accounted for at fair value through profit or loss:</b> |                     |                    |           |                 |              |
| <i>Unlisted</i>  |                     |                    |           |                 |              |
| CHAB Office Trust  | Property investment | –                  | 50.0      | –               | 47.6         |
|  |                     |                    |           | –               | 47.6         |
| <b>Equity accounted</b>                                    |                     |                    |           |                 |              |
| <i>Unlisted</i>  |                     |                    |           |                 |              |
| Brisbane Square Wholesale Fund                             | Property investment | 16.8               | 16.8      | 101.8           | 104.8        |
| Long WALE Hardware Partnership <sup>1</sup>                | Property investment | 13.4               | 13.5      | 123.6           | 96.5         |
| Charter Hall Prime Retail Fund                             | Property investment | 29.4               | 29.4      | 47.3            | 56.6         |
| Retail Partnership No. 6 Trust                             | Property investment | –                  | 20.0      | –               | 35.9         |
| Other joint ventures                                       |                     |                    |           | 33.9            | 10.9         |
|  |                     |                    |           | 306.6           | 304.7        |
| <b>Total investments in joint ventures</b>                 |                     |                    |           | <b>306.6</b>    | <b>352.3</b> |

<sup>1</sup> Ownership interest is calculated as the weighted average holding of BP Fund 1, BP Fund 2 and TTP Wholesale Fund.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 3 Investments in joint ventures continued

#### (b) Critical judgements

Investments in joint ventures are accounted for at either fair value through profit or loss or by using the equity method. CHPT 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.

#### (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 |              |
|---|--------------------|--------------|-----------------------------------|--------------|
|   | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| Opening balance   | 47.6               | –            | 47.6                              | –            |
| Investment  | –                  | 48.0         | –                                 | 48.0         |
| Net (loss)/gain on investment in associates at fair value | 0.4                | (0.4)        | 0.4                               | (0.4)        |
| Disposal of units   | (48.0)             | –            | (48.0)                            | –            |
| <b>Closing balance</b>                                    | <b>–</b>           | <b>47.6</b>  | <b>–</b>                          | <b>47.6</b>  |

#### (d) Summarised financial information and movements in carrying amounts

|  | Charter Hall Group |              | Charter Hall Property Trust Group |              |
|--|--------------------|--------------|-----------------------------------|--------------|
|  | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| <b>Movements in aggregate carrying amount:</b> |                    |              |                                   |              |
| Opening balance                                | 315.8              | 280.5        | 304.7                             | 280.5        |
| Investment                                     | 73.0               | 35.2         | 60.0                              | 24.4         |
| Share of profit after income tax               | 15.0               | 21.5         | 7.3                               | 18.4         |
| Distributions received/receivable              | (28.0)             | (20.4)       | (18.0)                            | (17.9)       |
| Return of capital                              | (49.0)             | (0.3)        | (47.4)                            | –            |
| Share of movement in reserves                  | –                  | (0.7)        | –                                 | (0.7)        |
| <b>Closing balance</b>                         | <b>326.8</b>       | <b>315.8</b> | <b>306.6</b>                      | <b>304.7</b> |

#### (e) Commitments and contingent liabilities of joint ventures

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

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 4 Revenue

|  | Charter Hall Group |              | Charter Hall Property Trust Group |              |
|--|--------------------|--------------|-----------------------------------|--------------|
|  | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| Investment management revenue <sup>1,2</sup>   | 357.1              | 210.3        | –                                 | –            |
| Property services revenue <sup>1</sup>         | 55.2               | 52.6         | (0.1)                             | –            |
| Development revenue <sup>3</sup>               | 70.2               | 53.5         | –                                 | –            |
| Gross rental income                            | 10.9               | 8.6          | 10.9                              | 8.6          |
|  | <b>493.4</b>       | <b>325.0</b> | <b>10.8</b>                       | <b>8.6</b>   |
| <i>Other revenue</i>                           |                    |              |                                   |              |
| Recovery of property and fund-related expenses | 53.4               | 46.3         | –                                 | –            |
| Interest                                       | 3.4                | 4.4          | 4.2                               | 15.0         |
| Distributions/Dividends <sup>4</sup>           | 3.6                | 2.8          | 4.7                               | 4.2          |
| Other investment-related revenue               | –                  | –            | 11.4                              | 9.7          |
| Total other revenue                            | 60.4               | 53.5         | 20.3                              | 28.9         |
| <b>Total revenue<sup>5</sup></b>               | <b>553.8</b>       | <b>378.5</b> | <b>31.1</b>                       | <b>37.5</b>  |

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 Investment management revenue in the year ended 30 June 2020 includes \$98.2 million for CHOT performance fee.

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

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

5 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.

The Group accounts for COVID-19 related rent relief agreed as a lease modification. The rent relief provided is immaterial to the Group's result.

With the potential and uncertain economic impacts of COVID-19, future investment management revenue is sensitive to future property valuations and could be adversely impacted.

### 5 Expenses

|   | Charter Hall Group |              | Charter Hall Property Trust Group |              |
|---|--------------------|--------------|-----------------------------------|--------------|
|   | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| <b>Profit before income tax includes the following specific expenses:</b> |                    |              |                                   |              |
| <i>Employee costs</i>   |                    |              |                                   |              |
| Employee benefit expenses   | 134.5              | 116.3        | –                                 | –            |
| Security-based benefits expense   | 9.7                | 6.8          | –                                 | –            |
| Payroll tax   | 8.1                | 6.5          | –                                 | –            |
| Total employee costs  | 152.3              | 129.6        | –                                 | –            |
| <i>Administration and other expenses</i>                                  |                    |              |                                   |              |
| Advertising, marketing and promotion                                      | 3.4                | 3.3          | –                                 | –            |
| Occupancy costs   | 1.5                | 4.1          | –                                 | –            |
| Accounting, professional and other costs                                  | 10.1               | 11.1         | 3.7                               | 3.2          |
| Communication and IT expenses   | 8.5                | 7.2          | –                                 | –            |
| Administration expenses   | 5.8                | 6.8          | 2.5                               | 1.3          |
| <b>Total administration and other expenses</b>                            | <b>29.3</b>        | <b>32.5</b>  | <b>6.2</b>                        | <b>4.5</b>   |
| <i>Depreciation, amortisation and impairment</i>                          |                    |              |                                   |              |
| Depreciation  | 10.6               | 4.7          | –                                 | –            |
| Amortisation  | 6.9                | 4.1          | –                                 | –            |
| Impairment  | 13.6               | –            | 13.6                              | –            |
| <b>Total depreciation, amortisation and impairment</b>                    | <b>31.1</b>        | <b>8.8</b>   | <b>13.6</b>                       | <b>–</b>     |

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 6 Income tax expense

| Note  | Charter Hall Group |              | Charter Hall Property Trust Group |              |
|---|--------------------|--------------|-----------------------------------|--------------|
|   | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| <b>(a) Income tax expense</b>   |                    |              |                                   |              |
| Current tax expense   | 99.4               | 30.4         | –                                 | –            |
| Deferred income tax expense/(benefit)   | (20.8)             | 18.0         | –                                 | –            |
| Under-provided in prior years   | –                  | 0.4          | –                                 | –            |
|   | <b>78.6</b>        | <b>48.8</b>  | <b>–</b>                          | <b>–</b>     |
| <b>Deferred income tax expense/(benefit)</b>  |                    |              |                                   |              |
| (Increase)/decrease in deferred tax assets for the tax consolidated group   | (3.8)              | 5.5          | –                                 | –            |
| (Increase)/decrease in deferred tax liabilities for the tax consolidated group  | (17.0)             | 12.4         | –                                 | –            |
| Decrease in deferred tax assets for entities outside the tax consolidated group   | –                  | 0.1          | –                                 | –            |
|   | <b>(20.8)</b>      | <b>18.0</b>  | <b>–</b>                          | <b>–</b>     |
| <b>(b) Reconciliation of income tax expense to prima facie tax payable</b>  |                    |              |                                   |              |
| <b>Profit before income tax expense</b>   | <b>426.7</b>       | <b>285.6</b> | <b>146.7</b>                      | <b>145.8</b> |
| Prima facie tax expense at the Australian tax rate of 30%   | 128.0              | 85.7         | 44.0                              | 43.8         |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:   |                    |              |                                   |              |
| Charter Hall Property Trust income  | (44.0)             | (43.8)       | (44.0)                            | (43.8)       |
| Other adjustments   | (5.4)              | 6.9          | –                                 | –            |
| Income tax expense  | <b>78.6</b>        | <b>48.8</b>  | <b>–</b>                          | <b>–</b>     |
| <b>(c) Amounts recognised directly in equity</b>  |                    |              |                                   |              |
| 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  | (4.0)              | (1.6)        | –                                 | –            |
| Deferred tax: Estimated future deduction for rights vesting, in excess of the cumulative fair value expense   | 3.5                | (3.1)        | –                                 | –            |
|   | <b>(0.5)</b>       | <b>(4.7)</b> | <b>–</b>                          | <b>–</b>     |

#### (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 2020, the Group has approximately \$7.7 million (2019: \$11.4 million) of tax effected unrecognised income tax losses.

At 30 June 2020, the Group has approximately \$21.5 million (2019: \$21.5 million) of tax effected unrecognised capital tax losses.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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 |              |
|--|--------------------|--------------|-----------------------------------|--------------|
|  | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| <b>Ordinary stapled securities</b>   |                    |              |                                   |              |
| Final ordinary distribution of 7.72 cents and ordinary dividend of 10.5 cents per stapled security for the six months ended 30 June 2020 payable on 31 August 2020           | 84.9               | –            | 36.0                              | –            |
| Interim ordinary distribution of 10.5 cents and interim ordinary dividend of 7 cents per stapled security for the six months ended 31 December 2019 paid on 28 February 2020 | 81.5               | –            | 48.9                              | –            |
| Final ordinary distribution of 10.7 cents and ordinary dividend of 6.5 cents per stapled security for the six months ended 30 June 2019 paid on 31 August 2019               | –                  | 80.1         | –                                 | 49.8         |
| Interim ordinary distribution of 8.3 cents and interim ordinary dividend of 8.2 cents per stapled security for the six months ended 30 June 2019 paid on 28 February 2019    | –                  | 76.8         | –                                 | 38.7         |
| <b>Total Distributions/Dividends paid and payable to stapled securityholders</b>   | <b>166.4</b>       | <b>156.9</b> | <b>84.9</b>                       | <b>88.5</b>  |
| Distributions paid and payable to Charter Hall Direct Diversified Consumer Staples Fund non-controlling interests  | 4.2                | 3.0          | 4.2                               | 3.0          |
| <b>Total Distributions/Dividends paid and payable</b>  | <b>170.6</b>       | <b>159.9</b> | <b>89.1</b>                       | <b>91.5</b>  |

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% (2019: 30%) are \$112.6 million (2019: \$51.9 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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 8 Earnings per stapled security

|  | Charter Hall Group |               | Charter Hall Property Trust Group |               |
|--|--------------------|---------------|-----------------------------------|---------------|
|  | 2020<br>Cents      | 2019<br>Cents | 2020<br>Cents                     | 2019<br>Cents |
| (a) Basic earnings per security attributable to:                         |                    |               |                                   |               |
| Equity holders of Charter Hall Limited                                   | 43.3               | 19.5          | n/a                               | n/a           |
| Equity holders of Charter Hall Property Trust (non-controlling interest) | 31.0               | 31.0          | 31.0                              | 31.0          |
| <b>Stapled securityholders of Charter Hall Group</b>                     | <b>74.3</b>        | <b>50.5</b>   | <b>n/a</b>                        | <b>n/a</b>    |
| (b) Diluted earnings per security attributable to:                       |                    |               |                                   |               |
| Equity holders of Charter Hall Limited                                   | 42.9               | 19.4          | n/a                               | n/a           |
| Equity holders of Charter Hall Property Trust (non-controlling interest) | 30.8               | 30.7          | 30.8                              | 30.7          |
| <b>Stapled securityholders of Charter Hall Group</b>                     | <b>73.7</b>        | <b>50.1</b>   | <b>n/a</b>                        | <b>n/a</b>    |

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.

|  | 2020  | 2019  | 2020  | 2019  |
|--|-------|-------|-------|-------|
|  | \$'m  | \$'m  | \$'m  | \$'m  |
| (c) Reconciliations of earnings used in calculating earnings per stapled security  |       |       |       |       |
| Equity holders of Charter Hall Limited   | 201.3 | 91.9  | n/a   | n/a   |
| Profit attributable to the ordinary stapled securityholders of the Group used in calculating basic and diluted earnings per stapled security | 345.9 | 235.3 | 144.5 | 144.3 |

|   | 2020        | 2019        | 2020        | 2019        |
|---|-------------|-------------|-------------|-------------|
|   | Number      | Number      | Number      | 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   | 465,777,131 | 465,777,131 | 465,777,131 | 465,777,131 |
| <i>Adjustments for calculation of diluted earnings per stapled security:</i>  |             |             |             |             |
| Performance rights  | 2,366,433   | 2,382,547   | 2,366,433   | 2,382,547   |
| Service rights  | 1,471,057   | 1,290,887   | 1,471,057   | 1,290,887   |
| Weighted average number of ordinary stapled securities and potential ordinary stapled securities used as the denominator in calculating diluted earnings per stapled security | 469,614,621 | 469,450,565 | 469,614,621 | 469,450,565 |

#### (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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 9 Receivables and other assets

|   | Note  | Charter Hall Group |              | Charter Hall Property Trust Group |              |
|---|-------|--------------------|--------------|-----------------------------------|--------------|
|   |       | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| <b>Current</b>                            |       |                    |              |                                   |              |
| Trade receivables                         |       | 35.4               | 38.7         | 7.8                               | 2.9          |
| Contract assets <sup>1</sup>              |       | –                  | 52.1         | –                                 | –            |
| Loans to associates and joint ventures    | 23(e) | 7.3                | 52.3         | –                                 | 38.9         |
| Distributions receivable                  |       | 30.2               | 31.8         | 28.8                              | 30.8         |
| Other receivables and assets              |       | 6.4                | 2.5          | –                                 | –            |
|   |       | <b>79.3</b>        | <b>177.4</b> | <b>36.6</b>                       | <b>72.6</b>  |
| <b>Non-current</b>                        |       |                    |              |                                   |              |
| Loans to associates and joint ventures    | 23(e) | 10.2               | 9.2          | –                                 | –            |
| Loan receivable from Charter Hall Limited |       | –                  | –            | –                                 | 42.1         |
| Other receivables and assets              |       | 2.1                | 1.8          | –                                 | –            |
|   |       | <b>12.3</b>        | <b>11.0</b>  | <b>–</b>                          | <b>42.1</b>  |

<sup>1</sup> As at 30 June 2019, contract assets include \$50.0 million relating to the CHOT performance fee.

#### (a) Bad and doubtful trade receivables

During the year, the Charter Hall Group and Charter Hall Property Trust Group incurred \$nil expense (2019: \$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 |              |
|--------------------|--------------------|--------------|-----------------------------------|--------------|
|                    | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| Current            | 34.9               | 38.7         | 7.8                               | 2.9          |
| 1 to 3 months      | 0.5                | –            | –                                 | –            |
| 3 to 6 months      | –                  | –            | –                                 | –            |
| More than 6 months | –                  | –            | –                                 | –            |
|                    | <b>35.4</b>        | <b>38.7</b>  | <b>7.8</b>                        | <b>2.9</b>   |

As at 30 June 2020, Charter Hall Group had trade receivables of \$nil (2019: \$nil) past due but not impaired. Charter Hall Property Trust Group had \$nil (2019: \$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.



## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 10 Investment properties

#### (a) Carrying amounts

The Group's controlled entity investment fund, Charter Hall Direct Diversified Consumer Staples Fund, has a portfolio of investment properties which are 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 |              |
|---------------------------------------|--------------------|--------------|-----------------------------------|--------------|
|                                       | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| Opening balance                       | 118.5              | 63.4         | 118.5                             | 63.4         |
| Additions including acquisition costs | 55.8               | 60.1         | 55.8                              | 60.1         |
| Fair value and other adjustments      | (0.5)              | (0.9)        | (0.5)                             | (0.9)        |
| Disposals                             | -                  | (4.1)        | -                                 | (4.1)        |
| <b>Closing balance</b>                | <b>173.8</b>       | <b>118.5</b> | <b>173.8</b>                      | <b>118.5</b> |

Key valuation assumptions used in the determination of the investment properties' fair value and the Group's valuation policy are disclosed in Note 22(d).

#### (b) Leasing arrangements

The investment properties, excluding development properties, are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

|                                | Charter Hall Group |              | Charter Hall Property Trust Group |              |
|--------------------------------|--------------------|--------------|-----------------------------------|--------------|
|                                | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| Due within one year            | 9.3                | 7.2          | 9.3                               | 7.2          |
| Due between one and five years | 37.1               | 29.6         | 37.1                              | 29.6         |
| Over five years                | 30.8               | 20.2         | 30.8                              | 20.2         |
|                                | <b>77.2</b>        | <b>57.0</b>  | <b>77.2</b>                       | <b>57.0</b>  |

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 11 Intangible assets

|  | Charter Hall Group |              | Charter Hall Property Trust Group |              |
|--|--------------------|--------------|-----------------------------------|--------------|
|  | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| <b>Indefinite life intangibles – management rights</b> |                    |              |                                   |              |
| <b>Charter Hall Retail REIT</b>                        |                    |              |                                   |              |
| Opening and closing balance                            | 42.3               | 42.3         | -                                 | -            |
| <b>Charter Hall Education Trust</b>                    |                    |              |                                   |              |
| Opening balance  | 46.4               | -            | -                                 | -            |
| Additions  | -                  | 46.4         | -                                 | -            |
| Closing balance  | 46.4               | 46.4         | -                                 | -            |
| <b>Other indefinite life intangibles</b>               |                    |              |                                   |              |
| Opening balance  | 15.3               | 12.6         | -                                 | -            |
| Additions  | -                  | 2.7          | -                                 | -            |
| Closing balance  | 15.3               | 15.3         | -                                 | -            |
| <b>Total indefinite life intangibles</b>               | <b>104.0</b>       | <b>104.0</b> | <b>-</b>                          | <b>-</b>     |
| <b>Finite life intangibles – management rights</b>     |                    |              |                                   |              |
| Opening balance  | 11.9               | 7.8          | -                                 | -            |
| Additions  | -                  | 8.2          | -                                 | -            |
| Amortisation charge                                    | (6.9)              | (4.1)        | -                                 | -            |
| Closing balance  | 5.0                | 11.9         | -                                 | -            |
| <b>At balance date – finite life intangibles</b>       |                    |              |                                   |              |
| Cost   | 58.5               | 50.3         | -                                 | -            |
| Additions  | -                  | 8.2          | -                                 | -            |
| Accumulated amortisation                               | (53.5)             | (46.6)       | -                                 | -            |
| <b>Total finite life intangibles</b>                   | <b>5.0</b>         | <b>11.9</b>  | <b>-</b>                          | <b>-</b>     |
| <b>Goodwill</b>  |                    |              |                                   |              |
| <b>Folkestone Limited</b>                              |                    |              |                                   |              |
| Opening balance  | 9.9                | -            | -                                 | -            |
| Additions  | -                  | 9.9          | -                                 | -            |
| Closing balance  | 9.9                | 9.9          | -                                 | -            |
| <b>Total intangible assets</b>                         | <b>118.9</b>       | <b>125.8</b> | <b>-</b>                          | <b>-</b>     |

#### (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 entity.

#### (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 reflecting upside, base case and downside scenarios were used, applying probability weightings;
- base case cash flow projections covering a three-year period based on financial budgets approved by management. Cash flows beyond the three-year period are extrapolated using estimated growth rates appropriate for the business;
- pre-tax discount rate range of 6-8% (2019: 6-12%);
- growth after three years of 1.9-2.3% (2019: 2-3%) per annum; and
- terminal value multiple of 7.5 times earnings (2019: 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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 12 Deferred tax assets and liabilities

|  | Charter Hall Group |               | Charter Hall Property Trust Group |              |
|--|--------------------|---------------|-----------------------------------|--------------|
|  | 2020<br>\$'m       | 2019<br>\$'m  | 2020<br>\$'m                      | 2019<br>\$'m |
| <b>Deferred tax assets comprises temporary differences attributable to:</b>      |                    |               |                                   |              |
| Tax losses carried forward <sup>1</sup>  | 1.5                | 1.5           | –                                 | –            |
| <b>Deferred tax assets comprises temporary differences attributable to:</b>      |                    |               |                                   |              |
| Employee benefits  | 21.5               | 20.6          | –                                 | –            |
| Other  | 4.0                | 2.2           | –                                 | –            |
|  | <b>25.5</b>        | <b>22.8</b>   | <b>–</b>                          | <b>–</b>     |
| <b>Deferred tax liabilities comprises temporary differences attributable to:</b> |                    |               |                                   |              |
| Intangible assets  | 31.1               | 33.2          | –                                 | –            |
| Investment in associates   | 11.9               | 10.6          | –                                 | –            |
| Unearned revenue   | –                  | 15.6          | –                                 | –            |
| Other  | 0.7                | 1.3           | –                                 | –            |
|  | <b>43.7</b>        | <b>60.7</b>   | <b>–</b>                          | <b>–</b>     |
| <b>Net deferred tax liabilities</b>  | <b>(18.2)</b>      | <b>(37.9)</b> | <b>–</b>                          | <b>–</b>     |

<sup>1</sup> Tax losses are held by Charter Hall Opportunity Fund No. 5 (CHOF5), a wholly owned entity. CHOF5 does not form part of the Charter Hall tax consolidated group and therefore is not included in the net deferred tax liability balance on the balance sheet.

#### (a) Critical judgements

Critical judgements and accounting estimates are made in assessing the extent to which the utilisation of tax losses carried forward is considered probable and the corresponding deferred tax asset recognised.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 13 Trade and other liabilities

|                                      | Charter Hall Group |              | Charter Hall Property Trust Group |              |
|--------------------------------------|--------------------|--------------|-----------------------------------|--------------|
|                                      | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| <b>Current</b>                       |                    |              |                                   |              |
| Trade and other liabilities          | 19.2               | 19.3         | 7.0                               | 5.9          |
| Long service leave provision         | 2.3                | 2.2          | –                                 | –            |
| Dividend/Distribution payable        | 84.9               | 80.1         | 36.0                              | 49.8         |
| Employee benefits liability          | 43.7               | 35.1         | –                                 | –            |
|                                      | <b>150.1</b>       | <b>136.7</b> | <b>43.0</b>                       | <b>55.7</b>  |
| <b>Non-current</b>                   |                    |              |                                   |              |
| Loan payable to Charter Hall Limited | –                  | –            | 20.6                              | –            |
| Long service leave provision         | 2.6                | 2.1          | –                                 | –            |
| Lease incentive liability            | 1.2                | 3.8          | –                                 | –            |
|                                      | <b>3.8</b>         | <b>5.9</b>   | <b>20.6</b>                       | <b>–</b>     |

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 |              |
|-------------------------------------|--------------------|--------------|-----------------------------------|--------------|
|                                     | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| <b>Current liabilities</b>          |                    |              |                                   |              |
| Loans – related parties             | 15.9               | 7.5          | –                                 | –            |
| <b>Non-current liabilities</b>      |                    |              |                                   |              |
| Bonds                               | 300.2              | 268.2        | 300.2                             | 268.2        |
| Cash advance facilities (DCSF)      | 66.5               | 32.3         | 66.5                              | 32.3         |
| Less: unamortised transaction costs | (2.5)              | (3.0)        | (2.5)                             | (3.0)        |
|                                     | <b>364.2</b>       | <b>297.5</b> | <b>364.2</b>                      | <b>297.5</b> |

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 14 Borrowings continued

#### (a) Borrowings

##### Charter Hall Group

The Group's debt platform includes the following:

- An unsecured \$200.0 million credit facility plus an additional \$20.0 million unsecured facility to support the bank guarantees with maturity in May 2024. At 30 June 2020, drawn borrowings of \$nil (2019: \$nil) and bank guarantees of \$19.3 million (2019: \$14.3 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) bonds 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 bonds at A\$231.5 million in August 2028. At 30 June 2020, the carrying amount of the bonds at the prevailing spot rate was A\$300.2 million (2019: A\$268.2 million) including a fair value adjustment of A\$46.8 million (2019: A\$19.0 million). The carrying amount is offset by the fair value of the swap.
  - 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.
- The Group has entered into interest rate swap agreements which hedge the Group's exposure to interest rate fluctuations on a notional principal amount of A\$100.0 million. The swap agreements entitle the Group to receive floating interest and pay a fixed rate at quarterly intervals. The agreements mature in February 2024.

##### DCSF Facility

The fund has two revolving debt facilities of A\$80.0 million (2019: A\$50.5 million) and NZ\$7.0 million (2019: NZ\$7.0 million), secured against the fund's investment properties (see Note 10). The facilities have a maturity date of July 2024. At 30 June 2020, drawn borrowings of A\$61.0 million (2019: A\$26.6 million) and NZ\$6.0 million (2019: NZ\$6.0 million) had been utilised under these facilities respectively.

#### (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 movements subsequent to the related debt drawing date and DCSF) net of cash, divided by total assets net of cash, derivative assets and DCSF.

The gearing ratio of the Charter Hall Group and Charter Hall Property Trust Group at 30 June 2020 was 0.0% (30 June 2019: 5.7%). 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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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<br>\$'m | Movement in derivatives and foreign exchange<br>\$'m | Movement in borrowing costs<br>\$'m | Movement in cash<br>\$'m | Closing balance<br>\$'m |
|--|-------------------------|--|-------------------------------------|--------------------------|-------------------------|
| <b>Charter Hall Group</b>                            |                         |  |                                     |                          |                         |
| <b>2020</b>  |                         |  |                                     |                          |                         |
| Bank debt  | 300.5                   | –  | –                                   | 66.2                     | 366.7                   |
| Loans – related parties                              | 7.5                     | –  | –                                   | 8.4                      | 15.9                    |
| Derivative financial instruments hedging debt        | (34.2)                  | (31.6)   | –                                   | –                        | (65.8)                  |
| Borrowing costs                                      | (3.0)                   | –  | 0.5                                 | –                        | (2.5)                   |
| Cash   | (113.9)                 | –  | –                                   | (125.0)                  | (238.9)                 |
|  | <b>156.9</b>            | <b>(31.6)</b>  | <b>0.5</b>                          | <b>(50.4)</b>            | <b>75.4</b>             |
| <b>2019</b>  |                         |  |                                     |                          |                         |
| Bank debt  | 5.4                     | –  | –                                   | 295.1                    | 300.5                   |
| Loans - related parties                              | –                       | –  | –                                   | 7.5                      | 7.5                     |
| Derivative financial instruments hedging debt        | 1.4                     | (35.6)   | –                                   | –                        | (34.2)                  |
| Borrowing costs                                      | (1.8)                   | –  | (1.2)                               | –                        | (3.0)                   |
| Fair value of USPP commitment                        | (2.2)                   | 2.2  | –                                   | –                        | –                       |
| Cash   | (94.9)                  | –  | –                                   | (19.0)                   | (113.9)                 |
|  | <b>(92.1)</b>           | <b>(33.4)</b>  | <b>(1.2)</b>                        | <b>283.6</b>             | <b>156.9</b>            |
| <b>Charter Hall Property Trust Group</b>             |                         |  |                                     |                          |                         |
| <b>2020</b>  |                         |  |                                     |                          |                         |
| Bank debt  | 300.5                   | –  | –                                   | 66.2                     | 366.7                   |
| Derivative financial instruments hedging debt        | (34.2)                  | (31.6)   | –                                   | –                        | (65.8)                  |
| Borrowing costs                                      | (3.0)                   | –  | 0.5                                 | –                        | (2.5)                   |
| Funding (paid) to/received from Charter Hall Limited | (42.1)                  | –  | –                                   | 62.7                     | 20.6                    |
| Cash   | (50.0)                  | –  | –                                   | 37.3                     | (12.7)                  |
|  | <b>171.2</b>            | <b>(31.6)</b>  | <b>0.5</b>                          | <b>166.2</b>             | <b>306.3</b>            |
| <b>2019</b>  |                         |  |                                     |                          |                         |
| Bank debt  | 5.4                     | –  | –                                   | 295.1                    | 300.5                   |
| Derivative financial instruments hedging debt        | 1.4                     | (35.6)   | –                                   | –                        | (34.2)                  |
| Borrowing costs                                      | (1.8)                   | –  | (1.2)                               | –                        | (3.0)                   |
| Funding received from/(paid) to Charter Hall Limited | 17.7                    | –  | –                                   | (59.8)                   | (42.1)                  |
| Fair value of USPP commitment                        | (2.2)                   | 2.2  | –                                   | –                        | –                       |
| Cash   | (32.8)                  | –  | –                                   | (17.2)                   | (50.0)                  |
|  | <b>(12.3)</b>           | <b>(33.4)</b>  | <b>(1.2)</b>                        | <b>218.1</b>             | <b>171.2</b>            |

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 15 Derivative financial instruments

|                                    | Charter Hall Group |              | Charter Hall Property Trust Group |              |
|------------------------------------|--------------------|--------------|-----------------------------------|--------------|
|                                    | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| <b>Current assets</b>              |                    |              |                                   |              |
| Cross currency interest rate swaps | 3.6                | –            | 3.6                               | –            |
|                                    | <b>3.6</b>         | <b>–</b>     | <b>3.6</b>                        | <b>–</b>     |
| <b>Non-current assets</b>          |                    |              |                                   |              |
| Cross currency interest rate swaps | 70.0               | 40.3         | 70.0                              | 40.3         |
|                                    | <b>70.0</b>        | <b>40.3</b>  | <b>70.0</b>                       | <b>40.3</b>  |
| <b>Current liabilities</b>         |                    |              |                                   |              |
| Interest rate swaps                | 0.1                | –            | 0.1                               | –            |
|                                    | <b>0.1</b>         | <b>–</b>     | <b>0.1</b>                        | <b>–</b>     |
| <b>Non-current liabilities</b>     |                    |              |                                   |              |
| Interest rate swaps                | 7.7                | 6.1          | 7.7                               | 6.1          |
|                                    | <b>7.7</b>         | <b>6.1</b>   | <b>7.7</b>                        | <b>6.1</b>   |

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

### 16 Contributed equity

#### (a) Movements in ordinary stapled security capital

| Details  | Number of securities | Weighted average issue price | Charter Hall Limited<br>\$'m | Charter Hall Property Trust<br>\$'m | Total<br>\$'m  |
|--|----------------------|------------------------------|------------------------------|-------------------------------------|----------------|
| Opening balance at 1 July 2018   | 465,777,131          |                              | 285.7                        | 1,453.5                             | 1,739.2        |
| Buyback and issuance of securities for exercised performance and service rights <sup>1</sup> | –                    | \$2.25                       | (0.6)                        | (5.0)                               | (5.6)          |
| Tax recognised directly in equity  | –                    |                              | 1.6                          | –                                   | 1.6            |
| Closing balance at 30 June 2019  | 465,777,131          |                              | 286.7                        | 1,448.5                             | 1,735.2        |
| <b>Closing balance per accounts at 30 June 2019</b>  | <b>465,777,131</b>   |                              | <b>286.7</b>                 | <b>1,448.5</b>                      | <b>1,735.2</b> |
| Buyback and issuance of securities for exercised performance and service rights <sup>2</sup> | –                    | \$3.98                       | (1.6)                        | (11.7)                              | (13.3)         |
| Tax recognised directly in equity  | –                    |                              | 4.0                          | –                                   | 4.0            |
| Closing balance at 30 June 2020  | 465,777,131          |                              | 289.1                        | 1,436.8                             | 1,725.9        |
| <b>Closing balance per accounts at 30 June 2020</b>  | <b>465,777,131</b>   |                              | <b>289.1</b>                 | <b>1,436.8</b>                      | <b>1,725.9</b> |

- 1 1,121,489 stapled securities bought on-market at an average value of \$7.20, offset by the exercise of 857,738 performance rights with a fair value of \$1.41 and 263,751 service rights with an average value of \$4.97.
- 2 1,641,582 stapled securities bought on-market at an average value of \$12.11, offset by the exercise of 797,578 performance rights with a fair value of \$1.41 and 844,004 service rights with an average value of \$6.40.

#### (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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 17 Reserves

|   | Charter Hall Group |               | Charter Hall Property Trust Group |              |
|---|--------------------|---------------|-----------------------------------|--------------|
|   | 2020<br>\$'m       | 2019<br>\$'m  | 2020<br>\$'m                      | 2019<br>\$'m |
| Business combination reserve                | (52.0)             | (52.0)        | –                                 | –            |
| Security-based benefits reserve             | 16.2               | 11.2          | –                                 | –            |
| Cash flow hedge reserve                     | 4.8                | 2.5           | 4.8                               | 2.5          |
| Foreign currency basis reserve              | (1.0)              | (0.2)         | (1.0)                             | (0.2)        |
| Transactions with non-controlling interests | 0.3                | 0.8           | 0.3                               | 0.8          |
| Other reserves                              | 1.2                | 6.1           | (1.3)                             | 0.1          |
|   | <b>(30.5)</b>      | <b>(31.6)</b> | <b>2.8</b>                        | <b>3.2</b>   |
| Charter Hall Limited                        | (33.3)             | (34.8)        | –                                 | –            |
| Charter Hall Property Trust                 | 2.8                | 3.2           | 2.8                               | 3.2          |
|   | <b>(30.5)</b>      | <b>(31.6)</b> | <b>2.8</b>                        | <b>3.2</b>   |

#### (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 reduced its holding in the Charter Hall Direct Diversified Consumer Staples Fund from 41.9% to 39.6% (2019: from 61.3% to 41.9%), increasing the non-controlling interest from 58.1% to 60.4%. The net proceeds on redemption were \$2.0 million (2019: \$20.0 million), received in cash.

The difference between the redemption proceeds and amount transferred to non-controlling interests of \$0.5 million (2019: \$0.5 million) has been recognised directly in equity.

| Summarised balance sheet                    | Charter Hall Group |              | Charter Hall Property Trust Group |              |
|---|--------------------|--------------|-----------------------------------|--------------|
|   | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| Current assets                              | 3.0                | 2.2          | 3.0                               | 2.2          |
| Current liabilities                         | 1.0                | 0.8          | 1.0                               | 0.8          |
| <b>Current net assets</b>                   | <b>2.0</b>         | <b>1.4</b>   | <b>2.0</b>                        | <b>1.4</b>   |
| Non-current assets                          | 173.8              | 118.6        | 173.8                             | 118.6        |
| Non-current liabilities                     | 67.3               | 33.5         | 67.3                              | 33.5         |
| <b>Non-current net assets</b>               | <b>106.5</b>       | <b>85.1</b>  | <b>106.5</b>                      | <b>85.1</b>  |
| <b>Net assets</b>                           | <b>108.5</b>       | <b>86.5</b>  | <b>108.5</b>                      | <b>86.5</b>  |
| <b>Accumulated non-controlling interest</b> | <b>65.5</b>        | <b>50.3</b>  | <b>65.5</b>                       | <b>50.3</b>  |

| Summarised statement of comprehensive income             | 2020       |            | 2019       |            |
|--|------------|------------|------------|------------|
|  | \$'m       | \$'m       | \$'m       | \$'m       |
| Revenue  | 10.9       | 8.7        | 10.9       | 8.7        |
| Profit for the period                                    | 3.2        | 2.6        | 3.2        | 2.6        |
| Other comprehensive income/(loss)                        | (0.1)      | 0.2        | (0.1)      | 0.2        |
| <b>Total comprehensive income</b>                        | <b>3.1</b> | <b>2.8</b> | <b>3.1</b> | <b>2.8</b> |
| <b>Comprehensive income allocated to non-controlling</b> | <b>2.2</b> | <b>1.6</b> | <b>2.2</b> | <b>1.6</b> |

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 19 Remuneration of auditors

During the year, the following fees were paid or payable 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 |               |
|---|--------------------|----------------|-----------------------------------|---------------|
|   | 2020               | 2019           | 2020                              | 2019          |
|   | \$                 | \$             | \$                                | \$            |
| <b>(a) Audit services</b>                       |                    |                |                                   |               |
| PricewaterhouseCoopers – Australian Firm        |                    |                |                                   |               |
| Audit and review of financial reports           | 585,126            | 367,497        | 8,529                             | 6,961         |
| Audit and review of financial reports for DCSF  | 30,259             | 38,723         | 30,259                            | 38,723        |
| Other assurance services                        | 7,721              | 103,617        | –                                 | –             |
| Other assurance services for DCSF               | –                  | 1,882          | –                                 | 1,882         |
| <b>Total remuneration for audit services</b>    | <b>623,106</b>     | <b>511,719</b> | <b>38,788</b>                     | <b>47,566</b> |
| <b>(b) Taxation services</b>                    |                    |                |                                   |               |
| PricewaterhouseCoopers – Australian Firm        |                    |                |                                   |               |
| Taxation services                               | 98,800             | 135,370        | 9,100                             | 34,520        |
| PricewaterhouseCoopers – New Zealand Firm       |                    |                |                                   |               |
| Taxation services for DCSF                      | 5,944              | 13,164         | 5,944                             | 13,164        |
| PricewaterhouseCoopers – United States Firm     |                    |                |                                   |               |
| Taxation services                               | –                  | 78,846         | –                                 | –             |
| <b>Total remuneration for taxation services</b> | <b>104,744</b>     | <b>227,380</b> | <b>15,044</b>                     | <b>47,684</b> |
| <b>(c) Advisory services</b>                    |                    |                |                                   |               |
| PricewaterhouseCoopers – Australian Firm        |                    |                |                                   |               |
| Accounting advice                               | 60,000             | 36,990         | –                                 | –             |
| <b>Total remuneration for advisory services</b> | <b>60,000</b>      | <b>36,990</b>  | <b>–</b>                          | <b>–</b>      |

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

|   | Charter Hall Group |              | Charter Hall Property Trust Group |              |
|---|--------------------|--------------|-----------------------------------|--------------|
|   | 2020               | 2019         | 2020                              | 2019         |
|   | \$'m               | \$'m         | \$'m                              | \$'m         |
| Profit after tax for the year   | 348.1              | 236.8        | 146.7                             | 145.8        |
| <i>Non-cash items:</i>  |                    |              |                                   |              |
| Amortisation of intangibles   | 6.9                | 4.1          | –                                 | –            |
| Impairment of associates  | 13.6               | –            | 13.6                              | –            |
| Depreciation and amortisation   | 11.9               | 5.7          | 1.3                               | 1.0          |
| Non-cash security-based benefits expense  | 9.9                | 6.9          | –                                 | –            |
| Net gain on sale of investments, property and derivatives                                   | (15.5)             | (2.7)        | (15.5)                            | (3.7)        |
| Fair value adjustments  | 8.5                | (0.2)        | 8.5                               | (0.2)        |
| Unrealised net loss on derivative financial instruments                                     | 2.8                | 7.6          | 2.8                               | 7.6          |
| Foreign exchange movements  | 0.3                | 0.2          | 0.3                               | 0.2          |
| <i>Change in assets and liabilities, net of effects from purchase of controlled entity:</i> |                    |              |                                   |              |
| (Increase)/decrease in trade debtors and other receivables                                  | 48.4               | (61.9)       | (6.4)                             | (12.3)       |
| Increase/(decrease) in trade creditors and accruals   | 13.9               | 44.0         | (0.6)                             | 11.0         |
| Increase in development assets  | (11.8)             | (13.7)       | –                                 | –            |
| Share of net profits from equity accounted investments in associates and joint ventures     | (51.4)             | (36.2)       | (46.0)                            | (40.8)       |
| (Increase)/decrease for net deferred income tax   | 17.0               | (4.2)        | –                                 | –            |
| <b>Net cash inflow from operating activities</b>  | <b>402.6</b>       | <b>186.4</b> | <b>104.7</b>                      | <b>108.6</b> |

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

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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 facility. 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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 21 Capital and financial risk management continued

The following table illustrates the potential impact a change in unlisted unit prices by +/-10% would have on the Group and CHPT's profit and equity. 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<br>\$'m | 10%<br>Impact on<br>Profit<br>and Equity<br>\$'m |
|--|-------------------------|--|
| <b>Charter Hall Group</b>  |                         |  |
| <b>2020</b>  |                         |  |
| <i>Assets – Charter Hall Group</i>                                   |                         |  |
| Investments in associates at fair value through profit or loss       | 25.9                    | 2.6  |
| Investments in financial assets at fair value through profit or loss | 101.2                   | 10.1   |
| <b>2019</b>  |                         |  |
| <i>Assets – Charter Hall Group</i>                                   |                         |  |
| Investments in associates at fair value through profit or loss       | 26.0                    | 2.6  |
| Investments in joint ventures at fair value through profit or loss   | 47.6                    | 4.8  |
| <b>Charter Hall Property Trust Group</b>                             |                         |  |
| <b>2020</b>  |                         |  |
| <i>Assets – Charter Hall Property Trust Group</i>                    |                         |  |
| Investments in associates at fair value through profit or loss       | 25.9                    | 2.6  |
| Investments in financial assets at fair value through profit or loss | 101.2                   | 10.1   |
| <b>2019</b>  |                         |  |
| <i>Assets – Charter Hall Property Trust Group</i>                    |                         |  |
| Investments in associates at fair value through profit or loss       | 26.0                    | 2.6  |
| Investments in joint ventures at fair value through profit or loss   | 47.6                    | 4.8  |

The impact on equity is the same as the impact on profit. 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 to development partners of \$14.3 million. This exposure is not considered to be material to the Group.

CHPT and Charter Hall Limited are part of an unsecured stapled loan arrangement maturing on 30 June 2023 with interest charged on an arm's length basis. Refer to Note 23(e) for further details.

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's and CHPT's policy is to mitigate interest rate risk by ensuring that interest rates on core borrowings for the anticipated debt term match the use of those funds. 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 disclosed in Note 14 bearing a variable interest rate.

In addition, CHPT's exposure arises from an unsecured stapled loan maturing on 30 June 2023 payable to Charter Hall Limited bearing a variable interest rate.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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 and equity, resulting from changes in Australian interest rates applicable at 30 June 2020, with all other variables remaining constant.

|  | Effective interest rate | Fair value<br>\$'m | Carrying amount<br>\$'m | 1%<br>Impact on<br>Profit<br>and Equity<br>\$'m |
|--|-------------------------|--------------------|-------------------------|---|
| <b>Charter Hall Group</b>                |                         |                    |                         |   |
| <b>2020</b>                              |                         |                    |                         |   |
| <i>Financial assets</i>                  |                         |                    |                         |   |
| Cash and cash equivalents                | 1.0%                    | 238.9              | 238.9                   | 2.4   |
| <i>Financial liabilities</i>             |                         |                    |                         |   |
| Borrowings                               | 3.0%                    | 366.7              | 366.7                   | –   |
| <b>Total increase/(decrease)</b>         |                         |                    |                         | <b>2.4</b>                                      |
| <b>2019</b>                              |                         |                    |                         |   |
| <i>Financial assets</i>                  |                         |                    |                         |   |
| Cash and cash equivalents                | 1.8%                    | 113.9              | 113.9                   | 1.1   |
| <i>Financial liabilities</i>             |                         |                    |                         |   |
| Borrowings                               | 3.9%                    | 300.5              | 300.5                   | 1.8   |
| <b>Total increase/(decrease)</b>         |                         |                    |                         | <b>2.9</b>                                      |
| <b>Charter Hall Property Trust Group</b> |                         |                    |                         |   |
| <b>2020</b>                              |                         |                    |                         |   |
| <i>Financial assets</i>                  |                         |                    |                         |   |
| Cash and cash equivalents                | 1.0%                    | 12.7               | 12.7                    | 0.1   |
| <i>Financial liabilities</i>             |                         |                    |                         |   |
| Loan payable to Charter Hall Ltd         | 6.6%                    | 20.6               | 20.6                    | 0.2   |
| Borrowings                               | 3.0%                    | 366.7              | 366.7                   | –   |
| <b>Total increase/(decrease)</b>         |                         |                    |                         | <b>0.1</b>                                      |
| <b>2019</b>                              |                         |                    |                         |   |
| <i>Financial assets</i>                  |                         |                    |                         |   |
| Cash and cash equivalents                | 1.8%                    | 50.0               | 50.0                    | 0.5   |
| Loan receivable from Charter Hall Ltd    | 7.7%                    | 42.1               | 42.1                    | 0.4   |
| <i>Financial liabilities</i>             |                         |                    |                         |   |
| Borrowings                               | 4.7%                    | 300.5              | 300.5                   | 1.8   |
| <b>Total increase/(decrease)</b>         |                         |                    |                         | <b>2.7</b>                                      |

The impact on equity is the same as the impact on profit. The impact of a -1% change is the reverse of the impact shown for a +1% change.

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 and equity 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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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(l).

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. The Group enters into cross currency interest rate swaps that have similar critical terms as 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% (2019: 100%) of the foreign denominated debt outstanding. The payable variable AUD interest rates of the swaps are 2.0% (2019: 2.0%) above the 90-day bank bill swap rate which at the end of the reporting period was 0.2% (2019: 1.2%) and the receivable USD fixed rates of the loans are 4.6% (2019: 4.6%).

Interest rate swaps currently in place cover 43.2% (2019: 43.2%) of debt outstanding (including debt hedged into AUD). The payable fixed AUD interest rate of the swaps currently in place are 2.1% (2019: 2.1%) and the receivable is the 90-day bank bill swap rate.

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 on the Group's financial position and performance are as follows:

|  | Charter Hall Group |             | Charter Hall Property Trust Group |             |
|--|--------------------|-------------|-----------------------------------|-------------|
|  | 2020               | 2019        | 2020                              | 2019        |
| <b>Cross currency interest rate swaps</b>                            |                    |             |                                   |             |
| Carrying amount  | 73.6               | 40.3        | 73.6                              | 40.3        |
| Notional amount  | 231.5              | 231.5       | 231.5                             | 231.5       |
| Maturity date  | August-2028        | August-2028 | August-2028                       | August-2028 |
| Hedge ratio <sup>1</sup>   | 1:1                | 1:1         | 1:1                               | 1:1         |
| Change in fair value of outstanding hedging instruments since 1 July | 33.3               | 41.7        | 33.3                              | 41.7        |
| Change in value of hedged item used to determine hedge effectiveness | (32.0)             | (38.8)      | (32.0)                            | (38.8)      |

<sup>1</sup> The underlying rate on interest rate swaps is the same as the rate exposure on the debt, therefore the hedge ratio is 1:1.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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 63.7% of its income from management fees, transaction and other fees from related parties. A further 24.8% 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. Development revenue comprises 9.6% of the Group's revenue, with the balance relating to interest income and gross rental income.

CHPT derives 78.1% 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 as well as forward looking estimates at the end of each reporting period.

#### (d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group and CHPT aim at maintaining flexibility in funding by keeping committed credit lines available.

#### 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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 21 Capital and financial risk management continued

|  | Carrying amount<br>\$'m | Less than one year<br>\$'m | Between one and five years<br>\$'m | Over five years<br>\$'m | Total cash flows<br>\$'m |
|--|-------------------------|----------------------------|------------------------------------|-------------------------|--------------------------|
| <b>Charter Hall Group</b>                    |                         |                            |                                    |                         |                          |
| <b>2020</b>                                  |                         |                            |                                    |                         |                          |
| Trade and other payables                     | 153.9                   | 150.1                      | 0.1                                | 3.7                     | 153.9                    |
| Borrowings                                   | 382.6                   | 15.9                       | 66.5                               | 300.2                   | 382.6                    |
| Derivative financial instruments             |                         |                            |                                    |                         |                          |
| Net contractual amounts payable/(receivable) | 7.8                     | 2.3                        | 5.7                                | –                       | 8.0                      |
| <b>Total financial liabilities</b>           | <b>544.3</b>            | <b>168.3</b>               | <b>72.3</b>                        | <b>303.9</b>            | <b>544.5</b>             |
| <b>2019</b>                                  |                         |                            |                                    |                         |                          |
| Trade and other payables                     | 142.6                   | 136.7                      | 2.1                                | 3.8                     | 142.6                    |
| Borrowings                                   | 308.0                   | 7.5                        | 32.3                               | 268.2                   | 308.0                    |
| Derivative financial instruments             |                         |                            |                                    |                         |                          |
| Net contractual amounts payable/(receivable) | 6.1                     | 2.2                        | 8.2                                | –                       | 10.4                     |
| <b>Total financial liabilities</b>           | <b>456.7</b>            | <b>146.4</b>               | <b>42.6</b>                        | <b>272.0</b>            | <b>461.0</b>             |
| <b>Charter Hall Property Trust Group</b>     |                         |                            |                                    |                         |                          |
| <b>2020</b>                                  |                         |                            |                                    |                         |                          |
| Trade and other payables                     | 63.6                    | 43.0                       | –                                  | –                       | 43.0                     |
| Borrowings                                   | 366.7                   | –                          | 66.5                               | 300.2                   | 366.7                    |
| Derivative financial instruments             |                         |                            |                                    |                         |                          |
| Net contractual amounts payable/(receivable) | 7.8                     | 2.3                        | 5.7                                | –                       | 8.0                      |
| <b>Total financial liabilities</b>           | <b>438.1</b>            | <b>45.3</b>                | <b>72.2</b>                        | <b>300.2</b>            | <b>417.7</b>             |
| <b>2019</b>                                  |                         |                            |                                    |                         |                          |
| Trade and other payables                     | 55.7                    | 55.7                       | –                                  | –                       | 55.7                     |
| Borrowings                                   | 300.5                   | –                          | 32.3                               | 268.2                   | 300.5                    |
| Derivative financial instruments             |                         |                            |                                    |                         |                          |
| Net contractual amounts payable/(receivable) | 6.1                     | 2.2                        | 8.2                                | –                       | 10.4                     |
| <b>Total financial liabilities</b>           | <b>362.3</b>            | <b>57.9</b>                | <b>40.5</b>                        | <b>268.2</b>            | <b>366.6</b>             |

#### Offsetting financial assets and liabilities

The Group is a party to the 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 2020, there was a gross liability position of \$nil (2019: \$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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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)
- Investments in joint ventures at fair value through profit and loss (Note 3)
- Investment properties (Note 10)
- Derivatives (Note 15)

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).



## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 22 Fair value measurement continued

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<br>\$'m | Level 2<br>\$'m | Level 3<br>\$'m | Total<br>\$'m |
|---|-----------------|-----------------|-----------------|---------------|
| <b>Charter Hall Group</b>   |                 |                 |                 |               |
| <b>2020</b>   |                 |                 |                 |               |
| Investments in financial assets at fair value through profit and loss | 101.2           | –               | –               | 101.2         |
| Investments in associates at fair value through profit and loss       | –               | –               | 25.9            | 25.9          |
| Investment properties   | –               | –               | 173.8           | 173.8         |
| Derivative financial instruments                                      | –               | 73.6            | –               | 73.6          |
| <b>Total assets</b>   | <b>101.2</b>    | <b>73.6</b>     | <b>199.7</b>    | <b>374.5</b>  |
| Derivative financial instruments                                      | –               | (7.8)           | –               | (7.8)         |
| <b>Total liabilities</b>  | <b>–</b>        | <b>(7.8)</b>    | <b>–</b>        | <b>(7.8)</b>  |
| <b>2019</b>   |                 |                 |                 |               |
| Investments in joint ventures at fair value through profit and loss   | 47.6            | –               | –               | 47.6          |
| Investments in associates at fair value through profit and loss       | –               | –               | 26.0            | 26.0          |
| Investment properties   | –               | –               | 118.5           | 118.5         |
| Derivative financial instruments                                      | –               | 40.3            | –               | 40.3          |
| <b>Total assets</b>   | <b>47.6</b>     | <b>40.3</b>     | <b>144.5</b>    | <b>232.4</b>  |
| Derivative financial instruments                                      | –               | (6.1)           | –               | (6.1)         |
| <b>Total liabilities</b>  | <b>–</b>        | <b>(6.1)</b>    | <b>–</b>        | <b>(6.1)</b>  |
| <b>Charter Hall Property Trust Group</b>                              |                 |                 |                 |               |
| <b>2020</b>   |                 |                 |                 |               |
| Investments in financial assets at fair value through profit and loss | 101.2           | –               | –               | 101.2         |
| Investments in associates at fair value through profit and loss       | –               | –               | 25.9            | 25.9          |
| Investment properties   | –               | –               | 173.8           | 173.8         |
| Derivative financial instruments                                      | –               | 73.6            | –               | 73.6          |
| <b>Total assets</b>   | <b>101.2</b>    | <b>73.6</b>     | <b>199.7</b>    | <b>374.5</b>  |
| Derivative financial instruments                                      | –               | (7.8)           | –               | (7.8)         |
| <b>Total liabilities</b>  | <b>–</b>        | <b>(7.8)</b>    | <b>–</b>        | <b>(7.8)</b>  |
| <b>2019</b>   |                 |                 |                 |               |
| Investments in joint ventures at fair value through profit and loss   | 47.6            | –               | –               | 47.6          |
| Investments in associates at fair value through profit and loss       | –               | –               | 26.0            | 26.0          |
| Investment properties   | –               | –               | 118.5           | 118.5         |
| Derivative financial instruments                                      | –               | 40.3            | –               | 40.3          |
| <b>Total assets</b>   | <b>47.6</b>     | <b>40.3</b>     | <b>144.5</b>    | <b>232.4</b>  |
| Derivative financial instruments                                      | –               | (6.1)           | –               | (6.1)         |
| <b>Total liabilities</b>  | <b>–</b>        | <b>(6.1)</b>    | <b>–</b>        | <b>(6.1)</b>  |

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.

#### (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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 22 Fair value measurement continued

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 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.

##### Investment property

The fair value measurement of investment property takes into account the Group's ability to generate economic benefits by using the asset in its highest and best use.

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. The Responsible Entity has considered the impact of the COVID-19 pandemic with regards to the timing of obtaining independent external valuations and as a result 100% of Investment Property was externally revalued as at 30 June 2020 (90% on a look-through basis).

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.

The table below identifies the inputs, which are not based on observable market data, used to measure the fair value (Level 3) of the investment properties:

|             | Fair value<br>\$'m | Adopted<br>capitalisation<br>rate<br>(% p.a.) | Adopted<br>terminal<br>yield<br>(% p.a.) | Adopted<br>discount<br>rate<br>(% p.a.) |
|-------------|--------------------|---|--|---|
| <b>2020</b> | <b>173.8</b>       | <b>5.2-7.3</b>                                | <b>5.3-8.8</b>                           | <b>6.0-8.0</b>                          |
| 2019        | 118.5              | 5.3-7.3                                       | 5.3-9.5                                  | 6.8-8.5                                 |

| Term                                     | Definition   |
|--|--|
| <b>Discounted Cash Flow (DCF) method</b> | A method in which a discount rate is applied to future expected income streams to estimate the present value.  |
| <b>Income capitalisation method</b>      | A valuation approach that provides an indication of value by converting future cash flows to a single current capital value.   |
| <b>Gross market rent</b>                 | The estimated amount for which an interest in real property should be leased to a major tenant on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. |
| <b>Capitalisation rate</b>               | The return represented by the income produced by an investment, expressed as a percentage.   |
| <b>Terminal yield</b>                    | A percentage return applied to the expected net income following a hypothetical sale at the end of the cash flow period.   |
| <b>Discount rate</b>                     | A rate of return used to convert a future monetary sum or cash flow into present value.  |

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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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 |        |
|-------------------------------------|--------------------|--------|-----------------------------------|--------|
|                                     | 2020               | 2019   | 2020                              | 2019   |
|                                     | \$'000             | \$'000 | \$'000                            | \$'000 |
| Salary and fees                     | 3,008              | 3,051  | -                                 | -      |
| Non-Executive Director remuneration | 1,372              | 1,270  | -                                 | -      |
| Short-term incentives               | 4,290              | 3,828  | -                                 | -      |
| Superannuation                      | 63                 | 62     | -                                 | -      |
| Value of securities vested          | 2,012              | 1,654  | -                                 | -      |
| Non-monetary benefits               | 5                  | 5      | -                                 | -      |
|                                     | 10,750             | 9,870  | -                                 | -      |

Detailed remuneration disclosures are provided in the Remuneration Report on pages 51 to 70.

#### (d) Transactions with related parties

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

|  | Charter Hall Group |         | Charter Hall Property Trust Group |        |
|--|--------------------|---------|-----------------------------------|--------|
|  | 2020               | 2019    | 2020                              | 2019   |
|  | \$'000             | \$'000  | \$'000                            | \$'000 |
| <i>Associates</i>                            |                    |         |                                   |        |
| Accounting cost recoveries                   | 10,261             | 8,527   | -                                 | -      |
| Marketing cost recoveries                    | 2,556              | 2,192   | -                                 | -      |
| Transaction and performance fees             | 162,487            | 76,922  | -                                 | -      |
| Management and development fees              | 134,748            | 102,263 | -                                 | -      |
| Property management fees and cost recoveries | 64,497             | 60,956  | -                                 | -      |
| <i>Joint ventures</i>                        |                    |         |                                   |        |
| Accounting cost recoveries                   | 586                | 495     | -                                 | -      |
| Marketing cost recoveries                    | 176                | 123     | -                                 | -      |
| Transaction and performance fees             | 2,402              | 4,341   | -                                 | -      |
| Management and development fees              | 16,496             | 11,167  | -                                 | -      |
| Property management fees and cost recoveries | 6,670              | 5,950   | -                                 | -      |
| Development revenue                          | 68,922             | 53,536  | -                                 | -      |
| <i>Other</i>                                 |                    |         |                                   |        |
| Accounting cost recoveries                   | 2,281              | 2,006   | -                                 | -      |
| Marketing cost recoveries                    | 109                | 115     | -                                 | -      |
| Transaction and performance fees             | 40,179             | 15,187  | -                                 | -      |
| Management and development fees              | 18,838             | 16,205  | -                                 | -      |
| Property management fees and cost recoveries | 4,665              | 2,646   | -                                 | -      |
| Investment-related revenue                   | -                  | -       | 11,383                            | 9,695  |
|  | 535,873            | 362,631 | 11,383                            | 9,695  |

During the year the Group sold holdings in related party entities to other related parties as follows:

- Sale of Charter Hall Co-investment Trust 5 which holds 15% in 242 Exhibition Street Holding Trust to Charter Hall Direct Industrial Fund (\$64.3m);
- Sale of 17.5% holding in Dartmoor Wholesale Fund to Charter Hall Retail REIT (\$76.6m);
- Sale of 2.05% holding in Core Logistics Partnership to Charter Hall Direct Industrial Fund No.4 (\$25m);
- Sale of 0.28% holding in Core Logistics Partnership to CH Wholesale Property Series No.1 (\$3.4m);
- Sale of 20% holding in Retail Partnership No.6 to Charter Hall Retail REIT (\$36.3m).

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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 |        |
|----------------------------|--------------------|--------|-----------------------------------|--------|
|                            | 2020               | 2019   | 2020                              | 2019   |
|                            | \$'000             | \$'000 | \$'000                            | \$'000 |
| <i>Associates</i>          |                    |        |                                   |        |
| Management fee receivables | 13,453             | 10,582 | -                                 | -      |
| Other receivables          | 7,221              | 64,417 | -                                 | -      |
| <i>Joint ventures</i>      |                    |        |                                   |        |
| Management fee receivables | 2,408              | 491    | -                                 | -      |
| Other receivables          | 1,158              | 3,156  | -                                 | -      |
| <i>Other</i>               |                    |        |                                   |        |
| Management fee receivables | 2,358              | 1,579  | -                                 | -      |
| Other receivables          | 1,778              | 3,387  | -                                 | -      |
|                            | 28,376             | 83,612 | -                                 | -      |

#### (e) Loans to/(from) related parties

|  | Charter Hall Group |               | Charter Hall Property Trust Group |               |
|--|--------------------|---------------|-----------------------------------|---------------|
|  | 2020               | 2019          | 2020                              | 2019          |
|  | \$'000             | \$'000        | \$'000                            | \$'000        |
| <i>Loans to joint ventures</i>               |                    |               |                                   |               |
| Opening balances                             | 47,563             | 25,800        | 38,919                            | 16,300        |
| Loan balances from acquisition of Folkestone | -                  | 8,954         | -                                 | -             |
| Loans advanced                               | 140                | 39,203        | -                                 | 38,900        |
| Loan repayments received                     | (43,508)           | (26,550)      | (38,900)                          | (16,300)      |
| Interest charged                             | 812                | -             | 812                               | -             |
| Interest received/receivable                 | (610)              | 156           | (831)                             | 19            |
| <b>Closing balance</b>                       | <b>4,397</b>       | <b>47,563</b> | <b>-</b>                          | <b>38,919</b> |
| <i>Loans from joint ventures</i>             |                    |               |                                   |               |
| Opening balances                             | 3,647              | -             | -                                 | -             |
| Loans advanced                               | -                  | 3,647         | -                                 | -             |
| Loan repayments made                         | (3,647)            | -             | -                                 | -             |
| <b>Closing balance</b>                       | <b>-</b>           | <b>3,647</b>  | <b>-</b>                          | <b>-</b>      |
| <i>Loans to other related parties</i>        |                    |               |                                   |               |
| Opening balances                             | 13,973             | -             | -                                 | -             |
| Loan balances from acquisition of Folkestone | -                  | 21,010        | -                                 | -             |
| Loans advanced                               | 5,133              | 321           | -                                 | -             |
| Loan repayments received                     | (6,971)            | (8,339)       | -                                 | -             |
| Interest received/receivable                 | 1,033              | 981           | -                                 | -             |
| <b>Closing balance</b>                       | <b>13,168</b>      | <b>13,973</b> | <b>-</b>                          | <b>-</b>      |
| <i>Loans from other related parties</i>      |                    |               |                                   |               |
| Opening balances                             | 3,852              | -             | -                                 | -             |
| Loans advanced                               | 12,096             | 3,852         | -                                 | -             |
| <b>Closing balance</b>                       | <b>15,948</b>      | <b>3,852</b>  | <b>-</b>                          | <b>-</b>      |
| <i>Loans to/(from) Charter Hall Limited</i>  |                    |               |                                   |               |
| Opening balances                             | -                  | -             | 43,161                            | (17,686)      |
| Loans advanced                               | -                  | -             | 379,618                           | 457,963       |
| Loan repayments received                     | -                  | -             | (446,340)                         | (411,488)     |
| Interest received/receivable                 | -                  | -             | 2,980                             | 14,372        |
| <b>Closing balance</b>                       | <b>-</b>           | <b>-</b>      | <b>(20,581)</b>                   | <b>43,161</b> |

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

The loan to/(from) CHL comprises an unsecured stapled loan maturing on 30 June 2023. Interest is charged on an arm's length basis which, at 30 June 2020, amounted to a weighted average rate of 6.6% (2019: 7.7%).

#### (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 \$3,146,000 (2019: \$2,723,000). At 30 June 2020, related fees payable amounted to \$480,000 (2019: \$1,081,000).

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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 of the Charter Hall Group

The Group's principal subsidiaries where the majority of activities are undertaken as at 30 June 2020 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 | 2020 % | 2019 % |
|---|--------------------------|----------------------|---------------------|--------|--------|
| <b>Controlled entities of Charter Hall Limited</b>        |                          |                      |                     |        |        |
| 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 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    |
| <b>Controlled entities of Charter Hall Property Trust</b> |                          |                      |                     |        |        |
| 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    | –      |
| Charter Hall Direct Diversified Consumer Staples Fund     | Australia                | Property investment  | Ordinary            | 40     | 42     |
| CHPT RP2 Trust  | Australia                | Property investment  | Ordinary            | 100    | 100    |

#### (c) Principal controlled entities of the Charter Hall Property Trust Group

| Name of entity  | Country of incorporation | Principal activity  | Class of securities | 2020 % | 2019 % |
|---|--------------------------|---------------------|---------------------|--------|--------|
| <b>Controlled entities of Charter Hall Property Trust</b> |                          |                     |                     |        |        |
| 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    | –      |
| Charter Hall Direct Diversified Consumer Staples Fund     | Australia                | Property investment | Ordinary            | 40     | 42     |
| CHPT RP2 Trust  | Australia                | Property investment | Ordinary            | 100    | 100    |

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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 |                 |
|---|--------------------|-----------------|-----------------------------------|-----------------|
|   | 2020 \$'m          | 2019 \$'m       | 2020 \$'m                         | 2019 \$'m       |
| <b>Current assets</b>   |                    |                 |                                   |                 |
| Trade receivables   | 11.0               | 7.4             | 0.5                               | 0.2             |
| Distributions receivable  | 30.2               | 31.8            | 28.8                              | 30.8            |
| Loans to associates and joint ventures  | 2.4                | 38.9            | –                                 | –               |
| <b>Total current assets</b>   | <b>43.6</b>        | <b>78.1</b>     | <b>29.3</b>                       | <b>31.0</b>     |
| <b>Non-current assets</b>   |                    |                 |                                   |                 |
| Loans to related parties  | 14.3               | 22.6            | –                                 | –               |
| Investments at fair value through profit or loss                                | 127.1              | 73.6            | 127.1                             | 73.6            |
| Investments accounted for using the equity method                               | 1,875.4            | 1,754.3         | 1,794.8                           | 1,681.3         |
| <b>Total non-current assets</b>   | <b>2,016.8</b>     | <b>1,850.5</b>  | <b>1,921.9</b>                    | <b>1,754.9</b>  |
| <b>Total carrying amount of interests in unconsolidated structured entities</b> | <b>2,060.4</b>     | <b>1,928.6</b>  | <b>1,951.2</b>                    | <b>1,785.9</b>  |
| <b>Total funds under management in unconsolidated structured entities</b>       | <b>40,537.0</b>    | <b>30,425.6</b> | <b>39,900.8</b>                   | <b>29,808.0</b> |

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 \$42.4 million at 30 June 2020 (2019: \$44.0 million) relating to a development joint venture.

##### Charter Hall Property Trust Group

The Trust Group had no contracted capital commitments as at 30 June 2020 (2019: \$nil).

### 27 Contingent liabilities

The Group has nil contingent liabilities as at 30 June 2020 (2019: \$20.0 million).

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 28 Security-based benefits expense

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

| Charter Hall Group and<br>Charter Hall Property Trust Group | 2017<br>Number | 2018<br>Number | 2019<br>Number   | 2020<br>Number | Total<br>Number  |
|---|----------------|----------------|------------------|----------------|------------------|
| <b>Performance rights</b>                                   |                |                |                  |                |                  |
| Rights issued 25/11/16                                      | 998,453        | –              | –                | –              | <b>998,453</b>   |
| Rights issued 23/11/17                                      | –              | 871,739        | –                | –              | <b>871,739</b>   |
| Rights issued 28/11/18                                      | –              | –              | 1,015,843        | –              | <b>1,015,843</b> |
| Rights issued 28/11/19                                      | –              | –              | –                | 713,588        | <b>713,588</b>   |
| <b>Performance rights issued</b>                            | <b>998,453</b> | <b>871,739</b> | <b>1,015,843</b> | <b>713,588</b> | <b>3,599,623</b> |
| Number of rights forfeited/lapsed                           |                |                |                  |                |                  |
| Prior years   | (200,875)      | (46,808)       | –                | –              | <b>(247,683)</b> |
| Current year  | –              | (3,091)        | (36,497)         | (15,263)       | <b>(54,851)</b>  |
| Number of rights vested                                     |                |                |                  |                |                  |
| Current year  | (797,578)      | –              | –                | –              | <b>(797,578)</b> |
| <b>Closing balance</b>                                      | <b>–</b>       | <b>821,840</b> | <b>979,346</b>   | <b>698,325</b> | <b>2,499,511</b> |
| <b>Service rights</b>                                       |                |                |                  |                |                  |
| Rights issued 23/11/17                                      | –              | 353,091        | –                | –              | <b>353,091</b>   |
| Rights issued 28/11/18                                      | –              | –              | 1,748,977        | –              | <b>1,748,977</b> |
| Rights issued 28/11/19                                      | –              | –              | –                | 438,912        | <b>438,912</b>   |
| <b>Service rights issued</b>                                | <b>–</b>       | <b>353,091</b> | <b>1,748,977</b> | <b>438,912</b> | <b>2,540,980</b> |
| Number of rights forfeited/lapsed                           |                |                |                  |                |                  |
| Prior years   | –              | (129,313)      | –                | –              | <b>(129,313)</b> |
| Current year  | –              | (5,964)        | (96,899)         | –              | <b>(102,863)</b> |
| Number of rights vested                                     |                |                |                  |                |                  |
| Prior years   | –              | –              | –                | –              | <b>–</b>         |
| Current year  | –              | (186,325)      | (657,679)        | –              | <b>(844,004)</b> |
| <b>Closing balance</b>                                      | <b>–</b>       | <b>31,489</b>  | <b>994,399</b>   | <b>438,912</b> | <b>1,464,800</b> |

#### (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 |              |
|------------------------------------|--------------------|--------------|-----------------------------------|--------------|
|                                    | 2020<br>\$'m       | 2019<br>\$'m | 2020<br>\$'m                      | 2019<br>\$'m |
| Performance rights and option plan | <b>9.7</b>         | <b>6.8</b>   | <b>–</b>                          | <b>–</b>     |

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 28 Security-based benefits expense continued

#### (c) Option 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 FY2020 are as follows:

|   | CHC<br>Performance<br>rights | CHC<br>Service<br>rights –<br>Deferred STI | CHC<br>Extra<br>Service<br>rights | CQR<br>Service<br>rights –<br>Deferred STI |
|---|------------------------------|--|-----------------------------------|--|
| Grant date  | 11/25/2019                   | 11/25/2019                                 | 11/25/2019                        | 11/25/2019                                 |
| Stapled security price at grant date <sup>1</sup> | \$10.69                      | \$10.69                                    | \$10.69                           | \$4.42                                     |
| Fair value of right                               | \$7.05                       | \$10.27                                    | \$9.50                            | \$4.07                                     |
| Expected volatility <sup>2</sup>                  | 19.5%                        | 21.6%                                      | 19.9%                             | 15.7%                                      |
| Dividend yield                                    | 3.2%                         | 3.2%                                       | 3.2%                              | 6.5%                                       |
| Risk-free interest rate                           | 0.7%                         | 0.7%                                       | 0.7%                              | 0.7%                                       |

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.

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

During the year, eligible employees received up to \$1,000 (2019: \$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 \$468,139 (2019: \$406,000) 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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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 |                |
|--|----------------------|--------------|-----------------------------|----------------|
|  | 2020<br>\$'m         | 2019<br>\$'m | 2020<br>\$'m                | 2019<br>\$'m   |
| <b>Balance sheet</b>                           |                      |              |                             |                |
| Current assets                                 | 169.6                | 119.2        | 24.3                        | 37.3           |
| Total assets                                   | 453.3                | 385.9        | 1,771.5                     | 1,711.6        |
| Current liabilities                            | 99.4                 | 41.2         | 40.7                        | 74.0           |
| Total liabilities                              | 351.5                | 293.2        | 345.2                       | 306.1          |
| <b>Shareholders' equity</b>                    |                      |              |                             |                |
| Issued capital                                 | 289.1                | 286.7        | 1,436.8                     | 1,448.5        |
| Other reserves                                 | (53.6)               | (53.6)       | 3.1                         | 2.3            |
| Accumulated losses                             | (133.7)              | (140.4)      | (13.6)                      | (45.3)         |
| <b>Net equity</b>                              | <b>101.8</b>         | <b>92.7</b>  | <b>1,426.3</b>              | <b>1,405.5</b> |
| <b>Profit for the year</b>                     | <b>88.3</b>          | <b>75.7</b>  | <b>32.6</b>                 | <b>251.7</b>   |
| <b>Total comprehensive income for the year</b> | <b>88.3</b>          | <b>75.7</b>  | <b>32.6</b>                 | <b>251.7</b>   |

Notwithstanding the net current liability, Charter Hall Property Trust has total net assets of \$1.4 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 2020 (2019: \$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 2020, Charter Hall Limited had no contractual commitments (2019: \$nil).

As at 30 June 2020, Charter Hall Property Trust had no contractual commitments (2019: \$nil).

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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.

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| <b>Statement of comprehensive income</b>                                |                |                |
| Revenue   | 440.0          | 295.9          |
| Net gain on sale of investments   | –              | 43.4           |
| Employee benefits expense   | (147.3)        | (136.0)        |
| Depreciation and amortisation   | (15.9)         | (7.4)          |
| Finance costs   | (4.7)          | (17.3)         |
| Share of net profit of associates accounted for using the equity method | 0.1            | 5.3            |
| Other expenses  | (27.9)         | (44.1)         |
| <b>Profit before income tax</b>   | <b>244.3</b>   | <b>139.8</b>   |
| Income tax expense  | (72.2)         | (29.8)         |
| <b>Profit for the year</b>  | <b>172.1</b>   | <b>110.0</b>   |
| Equity accounted fair value movements                                   | –              | 4.0            |
| <b>Other comprehensive income for the year</b>                          | <b>–</b>       | <b>4.0</b>     |
| Accumulated losses at the beginning of the financial year               | (6.1)          | (47.6)         |
| Profit for the year   | 172.1          | 110.0          |
| Dividends paid/payable  | (81.5)         | (68.5)         |
| <b>Accumulated profit/(losses) at the end of the financial year</b>     | <b>84.5</b>    | <b>(6.1)</b>   |

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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.

|   | 2020<br>\$'m | 2019<br>\$'m |
|---|--------------|--------------|
| <b>Assets</b>   |              |              |
| <i>Current assets</i>   |              |              |
| Cash and cash equivalents                                     | 198.2        | 52.0         |
| Receivables and other assets                                  | 55.6         | 97.4         |
| <b>Total current assets</b>                                   | <b>253.8</b> | <b>149.4</b> |
| <i>Non-current assets</i>                                     |              |              |
| Receivables and other assets                                  | –            | 55.7         |
| Development assets  | –            | 1.8          |
| Loans due from Charter Hall Property Trust                    | 20.6         | –            |
| Loans due from Charter Hall - FLK                             |              |              |
| Investment in associates at fair value through profit or loss | 15.1         | 15.1         |
| Investment in associates                                      | 3.3          | –            |
| Investments in controlled entities                            | 193.5        | 182.4        |
| Property, plant and equipment                                 | 20.8         | 22.1         |
| Intangible assets   | 71.0         | 76.0         |
| Right-of-use assets   | 8.5          | –            |
| Deferred tax assets   | 10.7         | –            |
| <b>Total non-current assets</b>                               | <b>343.5</b> | <b>353.1</b> |
| <b>Total assets</b>   | <b>597.3</b> | <b>502.5</b> |
| <b>Liabilities</b>  |              |              |
| <i>Current liabilities</i>                                    |              |              |
| Trade and other liabilities                                   | 167.4        | 91.1         |
| Lease liabilities   | 4.0          | –            |
| <b>Total current liabilities</b>                              | <b>171.4</b> | <b>91.1</b>  |
| <i>Non-current liabilities</i>                                |              |              |
| Trade and other liabilities                                   | 3.6          | 5.9          |
| Loans due to Charter Hall Property Trust                      | –            | 42.1         |
| Investments in controlled entities                            | –            | 12.6         |
| Net loans due to related entities                             | 47.0         | 77.2         |
| Lease liabilities   | 11.1         | –            |
| Deferred tax liabilities                                      | –            | 23.5         |
| <b>Total non-current liabilities</b>                          | <b>61.7</b>  | <b>161.3</b> |
| <b>Total liabilities</b>                                      | <b>233.1</b> | <b>252.4</b> |
| <b>Net assets</b>   | <b>364.2</b> | <b>250.1</b> |
| <b>Equity</b>   |              |              |
| Contributed equity  | 289.1        | 286.7        |
| Reserves  | (9.4)        | (30.5)       |
| Accumulated profit/(losses)                                   | 84.5         | (6.1)        |
| <b>Total equity</b>   | <b>364.2</b> | <b>250.1</b> |

### 31 Events occurring after the reporting date

The following events have occurred subsequent to 30 June 2020:

- In July 2020, Charter Hall Group sold its entire 5% holding in Waypoint REIT (ASX: WPR) for \$2.61 per WPR security totalling \$101.6m, and will receive a distribution of 7.41 cents per WPR security. Charter Hall Long WALE REIT also sold its 5% holding for the same price.
- In August 2020, a partnership created by the Charter Hall Group and an international sovereign wealth fund acquired a 49% interest in a property trust which owns a \$1.46 billion portfolio of convenience retail service centres leased to Ampol Limited (ASX: ALD). Charter Hall Group will own 5% or \$34m of the Charter Hall partnership, or a look through interest of 2.45% in the Ampol portfolio.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

- The Group's operations in future financial years; or
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 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 2020 are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

#### Changes in accounting policies

The Group adopted AASB 16 *Leases* retrospectively from 1 July 2019. The impact of adopting this new standard is disclosed below. No other new accounting standards or amendments have come into effect for the year ended 30 June 2020 that affect the Group's operations or reporting requirements.

#### (a) AASB 16 Leases

The Group adopted AASB 16 *Leases* from 1 July 2019. In accordance with the transition provisions in AASB 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 July 2019, under the simplified transition approach. Comparatives for the 2019 reporting period have not been restated.

The Group's assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of an extension option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group tests right-of-use assets for impairment where there is an indicator that the asset may be impaired. 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.

The Group's right-of-use assets are all property leases.

Payments associated with short-term leases and leases of low-value assets (as defined in AASB 16) are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Low-value assets comprise IT equipment and small items of office furniture.

#### Adjustments recognised on adoption of AASB 16 Leases

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.74%.

The associated rights-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 July 2019. As a result, the change in accounting policy affected the following items in the balance sheet on 1 July 2019:

- right-of use assets – increased by \$9.7 million
- deferred tax assets – increased by \$2.4 million
- lease liabilities – increased by \$16.4 million
- accruals – increased by \$1.2 million
- other liabilities (unamortised lease incentives) – decreased by \$4.8 million

The net impact on retained earnings on 1 July 2019 was a decrease of \$0.7 million.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The Group tests right-of-use assets for impairment where there is an indicator that the asset may be impaired. 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.

The Group's right-of-use assets are all property leases.

#### 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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 32 Summary of significant accounting policies continued

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:

- investments in associates and joint ventures 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 2020 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 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

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 32 Summary of significant accounting policies continued

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
- *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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 32 Summary of significant accounting policies continued

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.

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 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:

- when the Group can no longer withdraw the offer of those benefits; and
- 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.

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 32 Summary of significant accounting policies continued

#### (g) Development assets

Costs incurred in fulfilling a contract with a customer are recognised as a development asset. Development costs are classified as non-current where the group is not contractually entitled to payment within 12 months from balance date. 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 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.

#### (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. Specific circumstances of the owner are not taken into account. 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 |
| – Software                          | 3 to 5 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) 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.

#### (k) 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



## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 32 Summary of significant accounting policies continued

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.

#### (l) 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.

###### 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 foreign denominated 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 2018 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

## Notes to the consolidated financial statements

For the year ended 30 June 2020

### 32 Summary of significant accounting policies continued

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.

##### (m) 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.

##### (n) 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.

##### (o) Comparative information

Where necessary, comparative information has been adjusted to conform with changes in presentation in the current year.

##### (p) 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 2020

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 74 to 129 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 2020 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**  
Chairman

Sydney  
20 August 2020



### Independent auditor's report

To the stapled securityholders of Charter Hall Group and the unitholders of 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 and Charter Hall Property Trust Group financial positions as at 30 June 2020 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 2020
- 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 a summary of significant accounting policies
- the directors' declaration to securityholders.

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.

#### 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.

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### Independence

We are independent of Charter Hall Group and 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 and 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 Charter Hall Group and Charter Hall Property Trust Group, their accounting processes and controls and the industry in which they operate.



#### Materiality

- For the purpose of our audit of Charter Hall Group and Charter Hall Property Trust Group we used overall materiality of \$16.2 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 reports 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.
- The group audit team identified separate components of Charter Hall Group and Charter Hall Property Trust Group representing individually financially significant equity accounted 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 each group level provided us with sufficient evidence for our opinion on the financial reports as a whole.

### 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, Risk and Compliance Committee.

| Key audit matter | How our audit addressed the key audit matter |
|------------------|--|
|------------------|--|

**Carrying value of investments accounted for using the equity method (Charter Hall Group and Charter Hall Property Trust Group)**  
(Refer to note 2 and 3)

Charter Hall Group and Charter Hall Property Trust Group invest in certain underlying funds managed by Charter Hall Group. These funds comprise listed and unlisted funds which invest across a range of office, industrial, retail and diversified property portfolios.

These investments are typically classified as Associates or Joint Ventures as the investor is considered to have significant influence or joint control.

Investments in Associates and Joint Ventures contribute a significant proportion of total income and total assets.

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.

The COVID-19 pandemic has resulted in a number of these investments showing indicators of impairment at 30 June 2020.

To assess the carrying amount of investments accounted for using the equity method, including the impact of COVID-19, our audit included the following procedures:

- 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 and considering the relevant accounting classification of the investment in accordance with Australian Accounting Standards.
- Evaluating the assessments made by Charter Hall Group and Charter Hall Property Trust Group of whether there were any indicators of impairment, including evaluating the impairment assessment methodologies and identified the key assumptions used.
- For those investments where indicators of impairment were identified, our procedures included:
  - together with PwC valuations



**Key audit matter**

**How our audit addressed the key audit matter**

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 existence of impairment indicators arising from the COVID-19 pandemic, we consider this to be a key audit matter.

- experts, evaluated the reasonableness of the methodologies and key assumptions used to estimate the recoverable amounts of the relevant investments
- performing testing over the mathematical accuracy of the underlying calculations
  - comparing the forecast cash flows used in the impairment models to the most up-to-date budgets approved by the Board
  - evaluating the historical ability to forecast future cash flows by comparing budgets with reported actual results for the past year.
  - assessing the appropriateness of the relevant disclosures in the financial reports in light of the requirements of Australian Accounting Standards.

**Revenue recognition – performance fees (Charter Hall Group)**  
(Refer to note 4)

Charter Hall Group investment management revenue for the year ended 30 June 2020 was \$357.1 million which includes performance fees.

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.

We considered performance fees to be a key audit matter because of the:

- extent of judgement required by the Charter Hall Group in recognising revenue, particularly as it relates to variable revenue and estimating the period remaining from balance sheet date to performance fee crystallisation date and determining the degree of probability that any potential fee may unwind during that period.
- the financial significance of performance fees to the Charter Hall Group results.

Our audit procedures included evaluating the design and implementation of relevant controls relating to the recognition and measurement of performance fee revenue.

For a sample of performance fees, we assessed the appropriateness of revenue recognition against the requirements of Australian Accounting Standards.

For a sample of contracts including performance fees, we tested the estimated variable consideration by:

- Agreeing the key inputs in Charter Hall Group’s calculations to source documents, where possible.
- Assessing the reasonableness of the key factors the Charter Hall Group considered to evaluate the probability of a revenue reversal.

Where a performance fee was paid during the year, we inspected evidence of this payment.



**Key audit matter**

**How our audit addressed the key audit matter**

**Carrying value of indefinite life management rights (Charter Hall Group)**  
(Refer to note 11)

The Charter Hall Group’s intangible assets comprise management rights in relation to managed funds. These intangible assets had a carrying value of \$104.0 million at 30 June 2020.

A number of these management rights are considered to have indefinite useful lives and accordingly an annual impairment test is required by Australian Accounting Standards.

The Charter Hall Group performed an impairment test for each of the management rights assets with indefinite useful lives by calculating the value in use of each asset.

We considered the valuation of indefinite life intangible assets a key audit matter because of the:

- judgement required by Charter Hall Group to estimate the recoverable amount of indefinite life management rights.
- sensitivity of the Charter Hall Group’s assessment to changes in key assumptions such as growth rates, discount rates, and terminal value multiples.

The impairment tests performed by the Charter Hall Group during the financial year concluded that no impairment was required on the carrying value of any indefinite life management rights asset.

Our audit procedures included evaluating the design and implementation of relevant controls relating to indefinite life management rights.

For a sample of impairment tests performed by the Charter Hall Group, our audit included the following procedures, amongst others, in conjunction with PwC valuation experts:

- We evaluated the relevant cash flow forecasts, including performing tests over the mathematical accuracy of the underlying calculations and comparing the forecasts to Board approved budgets.
- We compared the current year (2020) results with figures included in the forecasts made in the three immediately preceding periods (2017-2019) to assess the historical reliability of the Charter Hall Group’s forecasting process. As part of our evaluation of cash flow forecasts, we performed specific inquiries to consider the impact of COVID-19 on the underlying business and how it may impact future revenue streams.
- We considered the methodology applied and assessed the appropriateness of the key assumptions used in light of Australian Accounting Standards, general industry valuation practice and factors specific to the underlying cashflows.



### 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 2020, but does not include the financial reports and our auditor’s report thereon. Prior to the date of this auditor’s report, the other information we obtained included the Directors’ report. We expect the remaining other information to be made available to us after the date of this auditor’s report.

Our opinion on the financial reports does not cover the other information and accordingly we do not, and will not, express 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 reports 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

### 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 gives a true and fair view and are 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 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 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 is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](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 51 to 70 of the Directors’ Report for the year ended 30 June 2020.

In our opinion, the remuneration report of Charter Hall Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

The directors of Charter Hall Limited 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.

PricewaterhouseCoopers

E A Barron  
Partner

Sydney  
20 August 2020

## Securityholder analysis

### A. Distribution of equity stapled securityholders as at 26 August 2020

| Range                | Stapled securities held | % of issued stapled securities | No. of Holders |
|----------------------|-------------------------|--------------------------------|----------------|
| 100,001 and Over     | 441,812,494             | 94.85                          | 45             |
| 50,001 to 100,000    | 2,573,958               | 0.55                           | 36             |
| 10,001 to 50,000     | 7,522,741               | 1.62                           | 399            |
| 5,001 to 10,000      | 4,864,074               | 1.04                           | 672            |
| 1,001 to 5,000       | 7,469,075               | 1.60                           | 2,947          |
| 1 to 1,000           | 1,534,789               | 0.33                           | 3,953          |
| <b>Total</b>         | <b>465,777,131</b>      | <b>100.00</b>                  | <b>8,052</b>   |
| Unmarketable parcels | 1,391                   | 0.00                           | 441            |

### B. Top 20 registered equity securityholders as at 26 August 2020

| Rank                       | Name   | A/C designation                | Stapled securities held | %IC of issued securities |
|----------------------------|--|--------------------------------|-------------------------|--------------------------|
| 1                          | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                |                                | 159,499,580             | 34.24                    |
| 2                          | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED                |                                | 127,416,618             | 27.36                    |
| 3                          | CITICORP NOMINEES PTY LIMITED                            |                                | 46,318,793              | 9.94                     |
| 4                          | NATIONAL NOMINEES LIMITED                                |                                | 36,276,507              | 7.79                     |
| 5                          | CITICORP NOMINEES PTY LIMITED                            | <COLONIAL FIRST STATE INV A/C> | 20,496,889              | 4.40                     |
| 6                          | BNP PARIBAS NOMINEES PTY LTD                             | <AGENCY LENDING DRP A/C>       | 19,290,702              | 4.14                     |
| 7                          | BNP PARIBAS NOMS PTY LTD                                 | <DRP>                          | 12,332,639              | 2.65                     |
| 8                          | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                | <NT-COMNWLTH SUPER CORP A/C>   | 4,114,688               | 0.88                     |
| 9                          | MILTON CORPORATION LIMITED                               |                                | 2,556,000               | 0.55                     |
| 10                         | BNP PARIBAS NOMS(NZ) LTD                                 | <DRP>                          | 1,862,276               | 0.40                     |
| 11                         | BNP PARIBAS NOMINEES PTY LTD<br>HUB24 CUSTODIAL SERV LTD | <DRP A/C>                      | 1,144,717               | 0.25                     |
| 12                         | UBS NOMINEES PTY LTD                                     |                                | 1,109,690               | 0.24                     |
| 13                         | PORTMIST PTY LIMITED                                     |                                | 841,773                 | 0.18                     |
| 14                         | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA       |                                | 803,957                 | 0.17                     |
| 15                         | SARGON CT PTY LTD  | <CHARTER HALL PROP A/C>        | 743,200                 | 0.16                     |
| 16                         | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                |                                | 709,919                 | 0.15                     |
| 17                         | AMP LIFE LIMITED   |                                | 652,492                 | 0.14                     |
| 18                         | NATIONAL NOMINEES LIMITED                                | <DB A/C>                       | 521,126                 | 0.11                     |
| 19                         | BNP PARIBAS NOMINEES PTY LTD                             | <IOOF INSTMT MGT LTD DRP>      | 441,566                 | 0.09                     |
| 20                         | MUTUAL TRUST PTY LTD                                     |                                | 409,113                 | 0.09                     |
| <b>Total</b>               |  |                                | <b>437,542,245</b>      | <b>93.94</b>             |
| <b>Balance of register</b> |  |                                | <b>28,234,886</b>       | <b>6.06</b>              |
| <b>Grand total</b>         |  |                                | <b>465,777,131</b>      | <b>100.00</b>            |

### C. Substantial securityholder notices as at 26 August 2020

| Ordinary securities  | Date of change | Stapled securities held | % securities held |
|--|----------------|-------------------------|-------------------|
| Commonwealth Bank of Australia<br>ACN 123 123 124 (CBA) and its related bodies corporate                                 | 26 May 2020    | 1,756,489               | 0.38%             |
| Mitsubishi UFJ Financial Group, Inc.   | 12 Feb 2020    | 28,958,515              | 6.22%             |
| First Sentier Investors Holdings Pty Limited<br>ACN 630 725 558 and its related bodies<br>corporate listed in annexure A | 12 Feb 2020    | 28,958,515              | 6.22%             |
| Commonwealth Bank of Australia<br>ACN 123 123 124 (CBA) and its related bodies corporate                                 | 13 Dec 2019    | 32,682,383              | 7.02%             |

## 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](http://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. You can also register your details on our website to receive ASX announcements by an email alert as they are being released. To register your details, please visit our website at [www.charterhall.com.au](http://www.charterhall.com.au) and subscribe to updates.

### 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. If you would like to participate in the DRP, you can do so online using the Investor Login facility available on our website, or you can complete a DRP Application Form available from our registry.

### 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 2020 should be included in your 2020 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

**Tel** 1800 931 678

**E-mail** [info@afca.org.au](mailto:info@afca.org.au)

**Web** [www.afca.org.au](http://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

**Tel** 1300 303 063 (within Aus)  
+61 2 8280 7134 (outside Aus)

**E-mail** [charterhall.reits@linkmarketservices.com.au](mailto:charterhall.reits@linkmarketservices.com.au)

**Web** [linkmarketservices.com.au](http://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

**Tel** 1300 365 585 (within Aus)  
+61 2 8651 9000 (outside Aus)

**E-mail** [reits@charterhall.com.au](mailto:reits@charterhall.com.au)

**Web** [charterhall.com.au](http://charterhall.com.au)

### 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 2020 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.

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## Corporate directory

### Registered office

Level 20, No.1 Martin Place Sydney NSW 2000

**Tel** +61 2 8651 9000

**ASX Code** CHC

### Directors

David Clarke (Chair), Anne Brennan, Philip Garling, David Harrison, Karen Moses, Greg Paramor AO and David Ross

### Company Secretary

Mark Bryant

### Auditor

#### PricewaterhouseCoopers

One International Towers Sydney  
Watermans Quay, Barangaroo  
Sydney NSW 2000

