

Charter Hall Group Annual General Meeting 2018

Chair's Address

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I will now provide a short overview of our business, our board, and focus during FY18.

We finished the 2018 financial year as we began it, focused on our strategy of utilising our expertise to access, deploy, manage and invest equity in our core real estate sectors, creating value and generating superior returns for our customers.

This focus on strategy delivered a 5% increase in operating earnings per security for the financial year, and a 6% increase in dividends. Over the past 5yrs we've been able to deliver securityholders 10.5% post tax growth in earnings per annum, and distribution growth of 9.5% per annum. Taking into account the change in security price and dividends paid, securityholders enjoyed a 24.3% return from investing in Charter Hall Group securities for the financial year 2018.

Looking forward, the group continues to be focused on executing the strategy that has delivered these results. We remain well positioned for the future. We began the FY19 financial year with \$3.4bn in available investment capacity. That consists of existing cash balances and available lines in our funds and on our balance sheet. This capacity provides a bulwark against any short-term volatility, an ability to move quickly to capture opportunities, while also providing a meaningful avenue for future growth.

The Board and Management remain committed to growing resiliently. This focus on resilience lies at the heart of the organisation. This focus can be seen in our continued efforts to maintain and grow the weighted average lease expiry, or WALE, of all the assets we own and manage. Through cycles, long WALE assets continue to be the most resilient and defensive, preserving value for our investing partners and securityholders.

Resilience also lies at the heart of our financial management. For the group we maintain a conservative balance sheet, with low gearing, diversified debt sources, long maturities and significant available liquidity to take advantage of any opportunities. We recently undertook a US Private Placement to access 10-year debt at a favourable interest rate, while increasing the maturity of our existing facilities and moving them to an unsecured platform. Our prudent financial position has been recognised by Moody's, with the Group assigned a Baa1 investment grade rating.

We employ the same strategy in our funds. We look to extend our debt maturities and diversify our debt sources wherever possible. During the year we agreed to \$6.4 billion of new or refinanced debt facilities. Like the Group, our funds enjoy low gearing, long maturities, well diversified debt sources and significant financial headroom. They are well capitalised to take advantage of any opportunities as they arise.

Resilience also sits at the heart of our investment philosophy. We look to invest alongside our partners, taking the best thinking of management and using the intelligence of our global and domestic capital partners. Partnerships are more than 50% of our wholesale capital and I'd like to acknowledge the valuable work our Investment Committees perform and the role they play in the success of the group.



During the year, the Group also undertook the acquisition of Folkestone Limited. The Managing Director and Group CEO will talk more about this in his remarks. The board closely examined the strategic merits of this transaction and consistency with our existing strategy. We saw this transaction as a unique opportunity to achieve scale in an emerging area of future growth, acquiring the market leading operator in a still highly fragmented sector. Importantly, we also saw great similarities in culture and an opportunity that was consistent with our existing strategy.

Following this transaction, the Folkestone CEO, Greg Paramor, AO has been invited to join the Charter Hall Group board. We believe Greg's experience and skill set and his broad-ranging property experience will be a valuable addition to the Charter Hall Group board. As previously mentioned, he will stand for election at next year's AGM.

While discussing Board matters, it is also appropriate to acknowledge and thank the multiple independent Board and Investment Committee directors that operate within the Charter Hall Group, where we continue best practice with these boards comprising a majority of property specialist Independent Directors representing the fund unitholders, none of which are on the Charter Hall Group Board.

I would like to specifically mention the retirement of long term Charter Hall Retail REIT Chair, John Harkness, who retired at Tuesday's CQR annual meeting. John has made an exceptional contribution to the growth of CQR, having been first appointed as an Independent Director in 2003 and becoming Chair in 2010. Following John's retirement, we welcome new CQR Independent Chair, Roger Davis, who completes the process of board renewal for CQR.

I would also like to acknowledge and mention the retirement of one of our founders, Cedric Fuchs. Cedric has been an outstanding leader and mentor to many Charter Hall employees, helping make the business what it is today. I'd like to thank him for his leadership, knowledge and the insights he has given the business over his career.

Importantly, Cedric also helped foster a culture of innovation at Charter Hall. This is a mainstay of our culture. Initiatives such as the Cedric Fuchs Scholarship and the first Australian PropTech Accelerator program saw Charter Hall recognised this year in the Top 20 most innovative companies in the ASX 200, as authored by Collective Campus.

The Group now comprises more than 500 employees nationally, focused on delivering property solutions for our tenant and investor customers. In addition to innovation, the Group has a strong commitment to sustainability and community. With Australia's largest Green Star rated portfolio, we continue to look for sustainability improvements in the assets we own and manage. Our focus on sustainability is not just a response to community concerns, but also a reflection of our focus on creating resilience within our portfolios.

Our people and culture also acknowledges the importance of the communities in which we operate. We have continued our partnership with the international movement, Pledge 1%, which integrates our business commitment with investment in our communities, through our people, our places and our partnerships. In FY18, more than 80% of our people collectively volunteered 330 days of their time in the community and along with our people, Charter Hall donated \$600,000 for community-based programs.



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

The focus of your Board is in providing clear governance and oversight to assist management in continuing to execute that strategy. Throughout all this, we never lose sight of our obligations as fiduciaries of people's life savings.

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

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