

ASX Media Release

Joint Managing Directors agree to new employment arrangements

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Charter Hall Limited
ACN 113 531 150

Charter Hall
Funds Management Limited
ABN 31 082 991 786

Level 11, 333 George Street
Sydney NSW 2000
GPO Box 2704 Sydney NSW 2001

T +61 2 8908 4000
F +61 2 8908 4040

www.charterhall.com.au

Charter Hall today announced that it had agreed new employment contracts to replace the current contracts entered into in 2005 by both Managing Directors, Mr David Harrison and Mr David Southon.

In relation to the new arrangements, the commencement date of which is subject to approval of Charter Hall's securityholders at the Annual General Meeting on 12 November, Chairman Mr Kerry Roxburgh said:

"I am pleased to confirm that both Mr Harrison and Mr Southon have confirmed their ongoing commitment to the Charter Hall Group by entering into new employment contracts providing for much longer notice periods and the introduction of restraint provisions. These new arrangements will assist Charter Hall in substantially mitigating key person risk.

In summary, the new contractual arrangements that will come into effect if securityholders approve a one off special 3 year long term incentive award for each managing director provide for:

- a \$30,000 increase in their Fixed Remuneration for FY14 to \$1,080,000;
- no change to David Southon's at-risk component of 55% of his total remuneration package (with at target performance providing Mr Southon with the opportunity to receive a 2.89% increase in his total remuneration opportunity);
- the at-risk component of David Harrison's remuneration being increased to 58.5% of his total remuneration package (with at target performance providing Mr Harrison with the opportunity to receive an 11.4% increase in his total remuneration opportunity);
- the current 3 month notice period being extended to 12 months where Charter Hall gives such notice and 6 months where notice is given by a managing director;
- for the 1st time there will be a non-solicitation / non-compete period of 12 months from the date notice of termination is given;
- in consideration for the increase in the notice periods, for agreeing to restraint provisions and other terms & conditions described later in this announcement, a binding securityholder resolution will be put before the 12 November Annual General Meeting to make a special grant of 100,000 CHC performance rights to David Southon and 300,000 to David Harrison. Vesting of these grants is conditional upon, among other things, the managing directors not having resigned or been

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summarily dismissed during the 3 years from 4 October, 2013. Also, vesting is not possible until the 3 year anniversary of signing their contract, upon CHC achieving its long term incentive performance hurdles measured at the end of FY16 and upon a number of operational and business growth milestones set by the Board, being progressively achieved.

The attached appendix contains an overview of additional key details of Mr Harrison and Mr Southon's contracts and remuneration packages going forward.

About Charter Hall

Charter Hall Group (ASX:CHC) is one of Australia's leading fully integrated property groups, with over 22 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over \$10 billion of funds under management across the office, retail and industrial sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth.

The Group's success is underpinned by a highly skilled and motivated team with diverse expertise across property sectors and risk-return profiles. Sustainability is a key element of its business approach and by ensuring its actions are commercially sound and make a difference to its people, customers and the environment, Charter Hall can make a positive impact for its investors, the community and the Group.

For further information

David Harrison

Joint Managing Director
T +61 2 8908 4033
david.harrison@charterhall.com.au

For investor enquiries

Kylie Ramsden

Head of Listed Investor Relations
T +61 2 8295 1016
kylie.ramsden@charterhall.com.au

For media enquiries

Rachel Mornington-West

Head of Marketing and Communications
T +61 2 8908 4093
rachel.mornington-west@charterhall.com.au

David Southon

Joint Managing Director
T +61 2 8908 4025
david.southon@charterhall.com.au

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Appendix: Summary of the key terms and conditions of new employment arrangements

1. Term and commencement of operation

In consideration for the Joint Managing Directors (**JMD**) agreeing to increase the length of their notice periods, the new restraint provisions (see further sections 3 and 4 below) and the other terms below, Charter Hall has agreed, subject to securityholder approval, to grant the JMDs special one-off performance rights (summarised at section 2.4 below).

The important new employment arrangements referred to in this appendix will only come into force if such securityholder approval is granted. Such approval will be sought at the Annual General Meeting in November 2013 (**2013 AGM**).

2. Remuneration

2.1 Fixed Remuneration

The new arrangements provide for fixed remuneration increases of 2.86% to \$1,080,000 for each Joint Managing Director (**JMD**), which amount includes superannuation and any salary sacrifice items.

2.2 Annual Short Term Incentive

The JMDs are each eligible for a Short Term Incentive (**STI**) allocation each year. The target STI opportunity from the 2014 financial year is \$660,000 (for Mr Southon) and \$760,000 (for Mr Harrison).

The actual STI outcome will depend upon Group and JMD performance during the year.

Two thirds of any STI for the 2014 financial year will be delivered in cash and the balance in deferred performance rights which will vest 50% after one year and the balance after 2 years subject to a service condition. Otherwise, the STIs will be delivered in cash unless otherwise agreed by the parties (having regard to Charter Hall's remuneration policy) which may include deferred performance rights subject to further service conditions.

The Board will review the JMDs' STI target annually.

2.3 Annual Long Term Incentive

The JMDs are each eligible for a Long Term Incentive (**LTI**) award in accordance with the terms of the Charter Hall Performance Rights and Options Plan Rules.

Subject to securityholder approval at the 2013 AGM for the 2014 financial year:

- Mr Southon will be eligible to receive an LTI award of \$660,000 worth of performance rights; and
- Mr Harrison will be eligible to receive an LTI award of \$760,000 worth of performance rights.

The Board will review and set the JMDs' LTI awards annually.

2.4 Special award of performance rights

In consideration of agreeing to the extended contractual commitments including restraint provisions and longer notice periods, and subject to the approval of the Charter Hall Group's securityholders at the 2013 AGM, Mr Southon and Mr Harrison will be granted 100,000 and 300,000 performance rights respectively, in accordance with the terms of the Charter Hall Performance Rights and Options Plan. Subject to meeting a number of performance conditions set by the Board, Mr Southon and Mr Harrison will each receive one Charter Hall stapled security for each performance

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right which vests. The performance conditions include absolute and relative total shareholder return (TSR) benchmarks, as well as other milestones which will be set annually and linked to operational excellence and the growth and development of the Charter Hall Group over a 3 year period.

3. Termination

The JMDs may resign by giving Charter Hall six months' notice and Charter Hall may terminate the JMDs' contracts by giving them twelve months' notice.

The JMDs will forfeit any unvested incentives if they resign or their employment is terminated summarily.

In all other circumstances (other than in respect of any securities previously granted to the JMDs which will continue to be governed by their terms of grant), on cessation of the JMDs' employment, they will continue to remain entitled to any unvested incentives (including the special award of performance rights), subject to their terms of grant, however, any STI for an incomplete STI performance period during which they are employed will be pro-rated.

4. Restraint provisions

The JMDs will be subject to clauses which are intended to prevent them from competing with the Charter Hall Group and/or soliciting clients and/or employees in Australia during the 12 month period commencing on the date notice of the termination of their employment is given.

Other than where the JMDs are summarily dismissed, these restraints are paid for (which may be by way of the JMDs working out their notice period).

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