

## GPT (GPT) 2018 AGM voting intentions

Company/ASX Code :	GPT Group (GPT)
Registry :	Link Market Services
Poll/Show of Hands :	Poll on all items
Webcast :	Yes
Venue :	10am Amora Hotel Jamison Sydney, Whiteley Ballroom Level 2, 11 Jamison Street Sydney, New South Wales
Monitor :	Ms Joyce Yong
AGM Details / NoM :	Wednesday 2nd May, 2018

### GPT malls continue to defy the challenge of online retail

*This company is monitored by Joyce Yong, assisted by Allan Goldin. The monitor held a pre-AGM meeting with Chairman Rob Ferguson.*

#### Item 1 Consideration of accounts and reports

ASA Position

This was another strong result from GPT. The 3% growth in funds from operations (FFO) was a pleasant surprise, given the reported woes of the retail sector which makes up 46% of their income. The growth in mini majors was impressive and GPT is hoping for more growth from the trend for upmarket cars and medical services to move to malls. As such, malls are no longer as reliant on having a large anchor tenant to draw in customers. When asked about the increasing spread between previous and new leases, GPT admitted there had been no increase in rent paid by many specialty stores when renewing their leases but there is a big demand from new brands. In spite of the talk of retailers wanting rent reductions, GPT has not found this a major concern. Other sections of GPT's business are firing well. GPT believes that office vacancies in central Sydney and Melbourne will continue to be very low for the next year. This is part of the reason lease incentives have moved down from 70.1 to 53.3. Currently they are forecasting an NTA of \$5.04 and an FFO per security growth of 3% for the full year with a distribution growth in line with the growth in FFO.

Not Applicable

#### Summary

(As at FYE)	2018	2017	2016	2015
NPAT (\$m)	1,269.1	1,152.7	868.1	645.3
FFO (\$m)	554.2	537.0	501.7	452.1
Share price (\$)	4.79	5.03	4.78	4.35
Distribution (cents)	24.6	23.4	22.5	21.2
TSR (%)	15.2	10.1	15.4	34.5
FFO per security (cents)	30.77	29.88	28.28	26.81
CEO total remuneration, actual (\$m)	4.5	2.47	2.8	4.4

For 2017 the CEO's total actual remuneration was 53 times the Australian Full time Adult Average Weekly Total Earnings (based on [November 2017] data from the Australian Bureau of Statistics).

Note - For November 2017, the Full-time adult average weekly total earnings (annualised) was \$84,661 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings", Trend(a)).

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## Resolution 1 Re-election of Mr Lim Swe Guan as a Director

ASA Position

Mr Lim was appointed to the Board in March 2015. He has extensive experience in property, mainly in Singapore and Malaysia and is not overloaded. ASA had 2 concerns with Mr Lim's election. Firstly we were concerned at his low level of 'skin in the game' for his interest to be aligned with shareholders. This was addressed when he recently acquired 23,200 shares on market, taking his shareholding to 39,000. We were also concerned that there may be a potential conflict of interest as he is also chairman of Cromwell European REIT as Cromwell is a competitor for shareholder / investor dollars and properties. We raised this with Chairman Rob Ferguson at our pre-AGM meeting with him but plan to ask Mr Lim for further clarification at the AGM. In the meantime, however, we are prepared to recommend a vote for his re-election.

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## Resolution 2 Election of Ms Vicki McFadden as a Director

ASA Position

Ms McFadden was appointed to the Board as a NED in March 2018 and, in accordance with the rules has to stand for election. Her background is in finance and banking. She is not overloaded. Her current directorships are Tabcorp, Newcrest Mining and President of the Takeovers Panel. It is envisaged that she will take over as Chair of GPT following the retirement of current chairman, Rob Ferguson, after this meeting. Her election is supported.

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## Resolution 3 Adoption of Remuneration Report

ASA Position

Last year we commended GPT's remuneration structure for its alignment to results and its coverage of the number of employees eligible to receive equity awards. As the structure remains unchanged we are recommending another vote for this resolution but with the same reservations that we held last year. In particular, we believe the LTI term is too short and will continue to push for a longer term. When questioned if the performance hurdle of Total Return was high enough, GPT again explained their reluctance to increase this hurdle as they did not expect property to continue to perform this strongly. Actual remuneration is disclosed, with face value and VWAP used to calculate number of performance rights.

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## Resolution 4 Grant of performance rights to the Company's Chief Executive Officer and Managing Director, Robert Johnston (2018 deferred short term incentive)

ASA Position

In line with our support for the remuneration report we are recommending a vote for this resolution. He will be granted \$912,500 divided by GPT's quarter 4 2017 VWAP of \$5.2085, giving 175,194 Rights. The other 50% of his STIC opportunity will be delivered in cash

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## Resolution 5 Grant of performance rights to the Company's Chief Executive Officer and Managing Director, Robert Johnston (long term incentive)

ASA Position

These Rights will be subject to two performance conditions to be assessed over a three-year performance period starting on 1 January 2018 and ending on 31 December 2020. The measures to be used are Total Return and Relative Total Shareholder Return. ASA has no issues with the measures but considers the time frame too short for a long term incentive. We prefer 4 or more years. However, we are prepared to support this resolution.

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## Resolution 6 Proportional takeover provisions

ASA Position

ASA will support these proposals which are not controversial.

The individuals involved in the preparation of this voting intention are shareholders of this company.

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