Australian Shareholders' Association

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Strong returns and significant transactions

Company/ASX Code	Growthpoint Properties Australia Limited/GOZ
AGM date	22 November 2019
Time and location	Herbert, Smith Freehills, Level 42, 101 Collins Street, Melbourne
Registry	Computershare
Webcast	Yes, live webcast at https://edge.media-server.com/mmc/p/epgxq8bg
Poll or show of hands	Poll
Monitor	Brian Chapman assisted by John Whittington
Pre AGM Meeting?	Yes, with Chair Geoff Tomlinson

Item 1	**Financial Reports – Company and Trust**
ASA Vote	No vote required

Summary of ASA Position

Growthpoint's property portfolio is valued at $4.0 billion an increase of 18.7% on the $3.4 billion in Financial Year 2018 (FY18). Funds from Operations (FFO) over the year continued to grow, increasing by 0.4% to 25.1 cents per security. The Total Shareholder Return (TSR) over the year to 30 June 2019 was 21.0% which exceeded the S&P/ASX A-REIT 300 Accumulation Index return of 19.4%. Growthpoint's main sectors are industrial worth $1.229 billion in FY19 ($1.147 billion in FY18) and office properties worth $2.755 billion ($2.145 billion in FY18). Growthpoint owns the largest metropolitan office portfolio in the A-REIT sector, together with CBD office assets and a large industrial portfolio.

Portfolio occupancy at 98% is unchanged from FY18 and prime yields are now generally placed between 5.50% and 6.25% for modern, well leased assets with long-term leases.

Loans increased by $235m to $1.4 billion in FY19.

On 27 June 2019, Growthpoint Properties Australia announced that it would be undertaking an equity raising to provide capacity to acquire a modern building located in metropolitan Sydney. Subsequently they have advised that they are not intending to proceed with the acquisition and intend to use the proceeds of the equity raising for other purposes, noting a recent logistics property acquisition for $40 million announced on 4 September 2019.

Jacqueline (Jacquee) Jovanovski joined Growthpoint in August 2019 as Chief Operating Officer and Company Secretary.

All directors have met the ASA skin-in-the-game or minimum shareholdings requirement.

Summary

(As at FYE)	**2019**	**2018**	**2017**	**2016**	**2015**
NPAT ($m)	375.3	357.7	278.1	219.4	283.0
UPAT ($m)	375.3	357.7	278.1	219.4	283.0
Share price ($)	4.12	3.61	3.14	3.15	3.13
Dividend (cents)	23.0	22.2	21.5	20.5	19.7
TSR (%)	21.0%	22.3%	6.3%	7.6%	36.4%
EPS (cents)	25.1	25.0	25.5	22.9	21.8
CEO total remuneration, statutory ($m)	2.175	2.436	2.141	2.350	2.322

For 2019 the CEO's total actual remuneration was **24.6** times the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Item 2	**Remuneration Report – Company only**
ASA Vote	**For**

Summary of ASA Position

CEO rem. framework	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	0.957	53%	0.957	33%
STI - Cash	0.319	18%	0.750	26%
STI - Equity	0.160	9%	0.375	13%
LTI	0.383	21%	0.766	27%
Total	$1.819	100%	$2.848	100%

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

Short Term Incentives (STI) are 66.6% paid in cash with the remainder deferred and awarded as Short-term Performance Rights to receive Growthpoint securities. Half of these Short-term Performance Rights will vest after one year and half after two years following the date of issue. If the Executive Key Management Personnel (KMP) resigns before a vesting period ends, the relevant Short-term Performance Rights do not vest and are forfeited. The Short-term Performance Rights will receive distributions paid by the Group equivalent to the distribution that would have been received if holding a security.

The value of STI awarded is based 70% on one financial measure – funds from operations per security – and 30% on a number of disclosed non-financial measures. It should also be noted that out of the total STI target, 70% is measured and awarded on the basis of financial measures that can earn a stretch target maximum of 125% which means that the final award may be higher than the statutory figures laid out in the remuneration report.

Long Term Incentives (LTI) are described below under item 4 and will not be repeated here. It should however be noted that the LTI figures, even at maximum, are lower than the combined STI reward. This does not inspire shareholder confidence as it does not align more significantly with the long-term view that retail shareholders would value. ASA would hope that this issue is addressed and some STI award component is shifted across to LTI to create a more stable long-term environment that ensures KMP conduct is not inappropriately influenced by short term rewards and investments.

Whilst there are some aspects that are not in line with ASA guidelines (e.g. performance period and receipt of distributions from unvested securities), we note that this is the first time we have monitored Growthpoint and believe that the remuneration is not excessive, has appropriate performance targets, and is well disclosed. Therefore, we will support this item but we will expect to see improvements in the structure in future.

Item 3 (a)	**Re-election of Mr Estienne de Klerk as a Director**
ASA Vote	**For**

Summary of ASA Position

Mr de Klerk has been a non-independent director since 5 August 2009, is suitably qualified with assurance, advisory and auditing experience across the manufacturing and consumer sectors. He meets ASA Guidelines in regard to workload (having less than 5 Directorships in listed companies) and holds shares whose value is greater than his annual fees. Mr de Klerk is the CEO of Growthpoint Properties Limited of South Africa, which is the majority Securityholder of Growthpoint Properties Australia. We will support his re-election.

Item 3 (b)	**Re-election of Mr Francois Marais as a Director**
ASA Vote	**For**

Summary of ASA Position

Mr Marais has been a non-independent director since 5 August 2009, is suitably qualified with assurance, advisory and auditing experience across the manufacturing and consumer sectors. He meets ASA Guidelines in regard to workload (having less than 5 Directorships in listed companies) and holds shares whose value is greater than his annual fees. Mr Marais chairs Growthpoint Properties Limited of South Africa, which is the majority Securityholder of Growthpoint Properties Australia. We will support his re-election.

Item 4	**Approval of FY19 Transitional Long Term Incentive (LTI) grant of Performance Rights to Timothy Collyer (Managing Director) – Company and Trust**
ASA Vote	**For**

Summary of ASA Position

Growthpoint have historically had a "backward looking" LTI structure where the award is based on performance over the past three years however are now in the process of moving to a "forward looking" structure where a target is set for three years' time and the award vests in three years based on performance against future targets. This is more consistent with other companies though ASA prefers a four- or five-year vesting period or the application of holding locks on awarded securities.

Moving to this approach (which we prefer) however necessitates a transition scheme so that the key executives are not financially disadvantaged (which may lead them to seek alternative employment) in the short term. We support this transitional step as a necessary step to an approach we prefer.

This part of the plan is for the issue of 70,972 performance rights, equivalent to 82% of the opportunity, worth $309,438 which is the outcome, following testing against performance conditions, of Total Shareholder Return (TSR) and Return on Equity (RoE) performance over the three years to 30 June 2019. The calculation or rights to be issued was done at face value. Half these rights will vest shortly with the other half to vest on or around 30 September 2020.

Performance on both measures was calculated relative to the S&P/ASX A-REIT 300 Accumulation index with 50% vesting at average TSR and RoE performance relative to the benchmark and maximum vesting at 75th percentile TSR performance and 2% or more above the mean benchmark RoE.

For the reasons mentioned above we will support this item.

Item 5	**Approval of FY20 Forward-looking LTI grant of Performance Rights to Timothy Collyer (Managing Director) – Company and Trust**
ASA Vote	**For**

Summary of ASA Position

This is for the issue of a maximum of 185,185 performance rights worth $800,000. This is equivalent to 80% of base salary and has been calculated at face value (the volume weighted average price of securities in the ten trading days after 30 June 2019).

The award is subject to equally weighted TSR (50%) and RoE (50%) Performance Conditions. TSR and ROE will be benchmarked to the S&P/ASX A-REIT 200 Accumulation Index (replacing the previously used S&P/ASX A-REIT 300 Accumulation Index due to Growthpoint's increased market capitalisation) over the period from 1 July 2019 to 30 June 2022.

Similar to the "backward looking" plan described above, performance on both measures is calculated with 50% vesting at average TSR and RoE performance relative to the benchmark and maximum vesting at 75th percentile TSR performance and 2% or more above the mean benchmark RoE.

Whilst we believe that a long-term incentive should be tested over a longer period of at least four, preferably five or more, years, this plan meets many ASA guidelines, so we intend to support it.

Item 6	**Approval of FY19 Short Term Incentive (STI) grant of Performance Rights to Timothy Collyer (Managing Director) – Company and Trust**
ASA Vote	**For**

Summary of ASA Position

In a move we welcome, one third of Mr Collyer's STI award (discussed above in item 2) is to be paid as performance rights, half of which vest on 30 June 2020 and the other half on 30 June 2021. This means that he will be provided with 64,824 performance rights worth $237,256 (calculated at face value – the volume weighted average price of securities in the ten trading days after 30 June 2019).

Whilst we would prefer half of the STI to be deferred as performance rights, we applaud this as a move in the right direction and will support it.

Item 7	**Appointment of Ernst & Young as Auditor of the Company – Company only to consider and, if thought fit, pass the following**
ASA Vote	**For**

Summary of ASA Position

The ASA believe it is good governance to re-tender for audit services every ten years and therefore supports the appointment of a new auditor following such a process.

We would prefer that the official nomination of the new external auditor which takes place after the process run by the board as noted in notice of meeting, and is purely administrative, would be signed by a member who was not the CFO.

Item 8	Ratification of Issue of Stapled Securities – Company and Trust
ASA Vote	For

Summary of ASA Position

As described above, on 27 June 2019, Growthpoint announced that it would be undertaking an equity raising.

The $173.6 million equity raising consisted of a fully underwritten institutional placement, which raised approximately $150 million and a non-underwritten security purchase plan which raised approximately $23.6 million.

13.6% of the equity was offered to retail investors, compared to around 9% of Growthpoint's shares owned by retail shareholders, which is why we will support it.

We prefer capital raisings to be by renounceable rights issues as this is the fairest to retail shareholders as all shareholders (including those who do not have the ready cash to take up a share purchase plan (SPP)) will benefit in proportion to their shareholding. However, we accept that a placement followed by a SPP at the same price is the next best thing as long as retail shareholders are not diluted as a class.

The individual involved in the preparation of this voting intention does not have a shareholding in this company.