

## New CEO and new CFO to guide GPT through high interest and inflation rates

<b>Company/ASX Code</b>	GPT Group/GPT
<b>AGM time and date</b>	10:00am AEST Wednesday, 8 May 2024
<b>Location</b>	Swissotel Sydney, 68 Market Street, Sydney
<b>Registry</b>	Link Market Services
<b>Type of meeting</b>	Physical with webcast
<b>Monitor</b>	John Lin assisted by Richard McDonald
<b>Pre-AGM Meeting</b>	Yes, with Chair, Vickki McFadden and NED, Chair of Human Resources and Remuneration, Tracey Horton

Monitor Shareholding: The individual(s) (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

### 1. How we intend to vote

No.	Resolution description	
1	Re-election of Ms Vickki McFadden as a Director	For
2	Election of Ms Louise Mason as a Director	For
3	Adoption of Remuneration Report	For
4	Grant of performance rights to the CEO&MD, Russell Proutt (LTI)	For
5	Proportional takeover provisions	For

### 2. Summary of Issues and Voting Intentions for AGM/EGM

- NPAT -\$240m (was +\$469m)
- Group Total Return -2% (was +3.9%)
- Net Investment Property Valuation down \$819m.

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

### 3. Matters Considered

#### Accounts and reports

As discussed in last year's VI report the continuous impact of high interest rate and disruption in the office sector impacted valuations combined caused the statutory net loss of \$240m (was profit

\$469m) for the year, including a net investment property valuation decline of \$819m. The higher interest rate also caused their negotiated hedge rate to increase from 2.5% to 3.5%. Consequently, the Funds from Operation (FFO) is now \$600.9m compared to \$620.6m last year whereas the distribution per ordinary stapled security remains the same at 25 cents based on 96% of free cashflow.

Some large tenants (>1000 sq. m) have returned to office (p22 of GPT 2023 data pack) albeit vacancy rates are still elevated like last year. On the other hand, the DesignSuites offered for smaller tenants (<1000 sq. m) has some success only due to their location and demographic. Overall, 80% of office clients required same office space, 5% more and 15% less.

Their Retail portfolio remains strong with average lease term increased from 4.7 yrs. to 5.2 years and Moving Annual Turnover (MAT) aka property investment profitability increased by 7.4% from last year. The reason is that large shopping malls are roaring back to life (Black Friday, students/commuters' hangout).

Logistic is still the best performing portfolio same as last year with occupancy rate increased from 99.2% to 99.5% with average lease expiry of 5.4 yrs. as opposed to 6.2 yrs. last year due to current transition period of lease renewals. The vacancy rate has increased slightly i.e. Syd (0.2% to 0.5%), Mel (%1.1 to 1.6%) and Bri (0.5% to 1.4%). However, their Logistic portfolio 28% is now lower than their 36% Retail and 36% Office (all portfolio was equally 30% last year). The reason is that GPT has limited their borrowing rather than increase their debt. Instead GPT has freed up capital by selling old land holdings (e.g. Rosehill) before reinvesting in Kemps Creek near the new Western Sydney Airport.

In addition to their three portfolios GPT also generate an income from funds management as last year saw the appointment by UniSuper (\$2.8 billion direct real estate portfolio) and Cbus Property (\$2.7 billion Australian Core Retail Trust). The income or management fees generated was \$65.6m (up from \$57.4m last year) which was partially offset by asset devaluations.

### Financial summary

(As at FYE)	2024	2023	2022	2021	2020
NPAT (\$m)	(240.0)	469.3	1,422.8	(213.1)	880.0
UPAT (\$m)	600.9	620.6	554.5	554.7	613.7
Share price (\$)	4.64	4.20	5.42	4.50	5.60
Dividend (cents)	25.0	25.0	23.2	22.5	26.5
Simple TSR (%)	16.9	(16.2)	27.8	(17.7)	9.6
EPS (cents)	31.4	32.4	28.8	28.5	32.7
CEO total remuneration, actual (\$m)	4.15	2.774	2.467	1.460	4.339

Simple TSR, in the table above, is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.)

## **Governance and culture**

Current governance is focused on avoiding more debt, recycling capital instead of borrowing and increasing investment in bullish areas such as Logistics against current headwind of high interest rate and inflation. The board skills matrix (p68 AR) appears to be balanced overall except for property investment where it is substantially more than the other skills. There is a decent outline of how the skills are assessed at level of the substantial, significant or some, but the skills are not attributed to individual directors. Conversely for the “Transformation, innovation and technology” there were no substantial skills which the board explained that the substantial skills were expected to be sourced amongst the senior executives.

## **Key events**

Bob Johnson (GPT CEO) has retired end of 2023 and is succeeded by Russell Proutt. High interest rate, increased cost of debt and high inflation has created a dramatically different landscape for strategic asset allocation decisions. As such Russell was selected for his experience as global asset manager at Brookfield Asset Management.

## **Key board or senior management changes**

The board of directors is the same as last year except for Ms Michelle Somerville who has retired. Ms. Louise Mason was appointed as a non-executive director who brings extensive and supplementary property experience given her senior executive roles in the industry across both multiple sectors and development. The CFO Ms. Anastasia Clark has resigned and as such been replaced by Ms. Merrin Edwards who has been head of investment management as well as CFO. The board expects that the combination of new CEO and new CFO will guide GPT through the current tough economic environment of high interest and high inflation.

## **Sustainability/ESG**

As a follow up from last year their Climate and Nature-related Disclosure statement is now prepared with reference to the recommendations i.e. Task Force on Climate-related Financial Disclosures (TCFD), Task Force on Nature-related Financial Disclosures (TNFD) and International Sustainability Standards Boards (ISSB).

As a follow up to the solar program introduced last year called BOOT (Build, Operate, Own & Transfer), 12 tenants signed up however only some are still active for various reasons (e.g. divestment of assets). Revised investment metrics have resulted in low feasibility for most assets as tenant savings cannot be realised. GPT is looking at other options to offer existing Logistics tenants’ rooftop solar. With respect to the Smart Energy Hub program there are currently Chirnside Park (since Aug2022) and Charlestown Square (commencing later 2023/4).

As an ongoing process we will be now focused on the origins of their Nature & Climate disclosure The statement (i.e. data lineage) and their Environmental Sustainability dashboard. Their Limited Assurance statements are listed in <https://www.gpt.com.au/sustainability/assurance>.

For more details, please go to GPT’s Environmental Sustainability dashboard

<https://public.tableau.com/app/profile/the.gpt.group/viz/SustainabilityDataDashboard/Overview?publish=yes>

## 4. Rationale for Voting Intentions

### Resolution 1 Re-election of Ms Vickki McFadden as a Director - For

Vickki was appointed to the GPT Board on 1 March 2018. Vickki is an experienced company director and brings a broad range of skills and experience to GPT gained from her current and previous board roles and her executive career spanning investment banking, corporate finance, and corporate law.

Vickki holds a Bachelor of Commerce and a Bachelor of Laws. She is a Non-Executive Director of Santos Limited and Allianz Australia Limited and a member of Chief Executive Women and the Australian Institute of Company Directors. She was also previously President of the Australian Takeovers Panel, Non-Executive Chairman of Skilled Group Limited and Eftpos Payments Australia Limited, a Non-Executive Director of Newcrest Mining Limited, Tabcorp Holdings Limited, Myer Family Investments Pty Limited, and Leighton Holdings Limited (now CIMIC Group), and a Member of the Executive Council and Advisory Board of the UNSW Business School. Vickki is the Chairman of the Nomination Committee. Vickki will serve as continuity and transition from Bob Johnson to Russel Proutt.

### Resolution 2 Election of Ms Louise Mason as a Director - For

Ms. Mason is an experienced property executive with more than 30 years in the property industry, including extensive experience running several operating businesses covering retail, office, and logistics and in development across multiple sectors.

Ms. Mason was most recently Chief Executive Officer, Commercial at Stockland and retired from that role on 31 December 2023.

### Resolution 3 Adoption of Remuneration Report - For

The group achieved its FFO target performance but not the 3% FFO growth target because of the rapid rise in interest rates during the last two years. As such the STIC payment was set at \$950,000 i.e. 52% of maximum opportunity. As Bob Johnson is retiring and stayed long enough to allow smooth transition to the new CEO the board have awarded the STIC payment 100% cash instead of the traditional 50% cash/50% equity split. The other incentive LTI which was suspended since 2020 is now active for the new CEO and therefore vested for the next three consecutive years. The LTI was changed from 125% to 150% of max opportunity as additional incentive for the new CEO. Whilst LTI retains the two performance measures (Adjusted FFO, rTSR), the rTSR is now a quartile measure relative to the constituents (equally weighted) of the same comparator group (ASX-200 A-REIT excluding Goodman group).

The performance period was 3 years previously and is now 4 years which is our preferred performance period to ensure longer term strategy and commitment. As such the 2024 LTI will adopt a transition arrangement where 50% of performance rights will have a 3-year performance period and remaining 50% will have a 4-year performance period. Furthermore, the LTI is delivered in each year of the performance period based on 50% weighting is Relative TSR and 50% weighting is Total Return which once again is our preferred delivery plan. For more detail, please refer to p8-9 of the 2024 GPT Stakeholder Engagement.

Now that the LTI is measured over a 4-year performance period which is our preferred 4-5-year period, this is a good remuneration structure and ASA will be voting open proxies in favour of it.

#### **Resolution 4 Grant of performance rights to the Company's Chief Executive Officer and Managing Director, Russell Proutt (long term incentive) - For**

The Total Package Value (TPV) is \$1.5m per annum, fixed for 3 years (including salary and super). The STIC is set at 150% of TPV at maximum, 100% at target, where 50% is awarded as cash and remaining 50% in form of restricted securities for 1yr. The LTI is set at 150% of TPV at maximum awarded as number of rights.

The sign-on-grant was made in order to compensate Mr Proutt for the loss of incentives opportunities at his former employer and will be delivered as two tranches of GPT Performance Rights. Face value is \$2.830m (658,920 Performance Rights) and the majority is subject to performance hurdles.

- Tranche 1 (135,043 rights) subject to service only and vest in two equal tranches on the first and second anniversary of commencement date.
- Tranche 2 (523,877 rights) subject to performance and service vest in four equal tranches on the second, third, fourth and fifth anniversary of commencement date.

The LTI of the former CEO, Bob Johnston, remains on foot, with the maximum value to be recognised in future years being a pro-rata of rights approved by the Board based on his cessation date. ASA supports this carry over which requires successful succession by the new CEO to meet the hurdles on these performance rights.

The TPV of \$1.5m is on par with other Australia property entities competing within the same industry.

#### **Resolution 5 Proportional takeover provisions - For**

As per the document "Constitution of GPT Management Holdings Limited" p42 section 79(c) Takeover Approval Provisions rules 79 & 80 will cease to have effect at the end of three years when it has not been renewed in accordance with the Corporations Act on the date the rule was adopted by the company on the date the rule was last renewed. As such this resolution seek to renew for further three years commencing from the data of the AGM, 8 May 2024. ASA expects securityholders to have the opportunity to vote on any proportionate takeover bid hence our for vote.

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## Appendix 1

### Remuneration framework detail

CEO rem. Framework for FY24	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.5	29%	1.500	25%
STI - Cash	0.75	14%	1.125	19%
STI – deferred, equity	0.75	14%	1.125	19%
LTI	2.25	43%	2.250	38%
Total	5.25	100%	6.000	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. Note in addition there is the sign-on grant to compensate for imminent or on foot incentives in Mr Proutt's prior role at Charter Hall. \*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.