

## Optimising the return on the portfolio of centres and improving yields

<b>Company/ASX Code</b>	Region Group (RGN) - formerly Shopping Centres Australasia (SCP)
<b>AGM time and date</b>	2pm (AEDT) Monday, 23 October 2023
<b>Location</b>	Marble Room, Raddison Blu Plaza Hotel, 27 O'Connell St Sydney
<b>Registry</b>	Link Market Services
<b>Type of meeting</b>	Hybrid
<b>Monitor</b>	Keith Ready and Tony Soffer
<b>Pre-AGM Meeting</b>	Steven Crane - Board Chair and Angus James - Chair of Remuneration Committee

Monitor Shareholding: None of individuals or their associates involved in the preparation of this voting intention have a shareholding in this company.

### 1. How we intend to vote

No.	Resolution description	Voting
1	Adoption of the Remuneration Report	<b>For</b>
2	Re-election of Executive Director - Mark Fleming	Withdrawn
3	Election of Independent Director - Antoinette Milis	<b>For</b>
4	Issue of Short-Term Incentive Rights under the Executive Incentive Plan to the Chief Executive Officer, Anthony Mellowes	<b>For</b>
5	Issue of Long-Term Incentive Rights under the Executive Incentive Plan to the Chief Executive Officer, Anthony Mellowes	<b>For</b>
6	Issue of Short-Term Incentive Rights under the Executive Incentive Plan to the Chief Operating Officer, Mark Fleming	<b>For</b>
7	Issue of Long-Term Incentive Rights under the Executive Incentive Plan to the Chief Operating Officer, Mark Fleming	Withdrawn

## **2. Summary of rationale, issues and voting intentions for AGM**

### **Resolution 1 - The adoption of the Remuneration Report - For**

Details of the remuneration framework for FY23 are presented in Appendix 1 and are largely unchanged from previous years other than adjustments to the STI and LTI percentage multipliers of the Fixed Remuneration (FR) for the one executive director. The remuneration seems reasonable and well controlled.

### **Resolution 2 - Re-election of Executive Director - Mark Fleming - (Withdrawn)**

COO, Mark Fleming, announced his resignation on 25 September 2023 and his last day of employment with the Region Group will be 24 December 2023. He had been with the company for 10 years.

### **Resolution 3 - Re-election of Antoinette (Toni) Mills - For**

Ms Mills was appointed to the board as a Non-Executive Director on 8 December 2022 and is a Member of the Nomination Committee and Investment Committee.

Ms Milis is an experienced property industry executive having worked with Lendlease Group for more than 30 years. Most recently as Executive - Build to Rent and Affordable Housing in Australia, Ms Milis led the development of these alternative real estate classes. In a previous role as Head of Lendlease Communities Australia, Ms Milis was responsible for the development of over 25 large scale master planned communities, which included the critical delivery of Neighbourhood and Town Centres to provide a range of retail, business, entertainment and community uses. Her experience in more detail 2023 Notice of the AGM and the ASA supports the re-election Antoinette (Toni) Mills.

### **Resolutions 4 - The Issue of Short-Term Incentive Rights under the Executive Incentive Plan to the Chief Executive Officer - Anthony Mellowes – For**

The resolution seeks unitholder approval for the grant to the CEO, Anthony Mellowes,

### **Resolutions 5 - The Issue of Long-Term Incentive Rights under the Executive Incentive Plan to the Chief Executive Officer - Anthony Mellowes**

The resolution seeks unitholder approval for the grant to the CEO, Anthony Mellowes,

### **Resolutions 6 - The Issue of Short-Term Incentive Rights under the Executive Incentive Plan to the Chief Operating Officer - Mark Fleming - For**

The resolution seeks unitholder approval for the grant to the COO, Mark Fleming . The board recommends approval as it relates to Mr Flemings’s STIP for the prior, FY23, financial year,

### **Resolutions 7 – The Issue of Long-Term Incentive Rights under the Executive Incentive Plan to the Chief Operating Officer (Withdrawn)**

As noted above Mark Flemming has resigned and will leave Region Group on 24 December 2023.

### 3. Matters Considered

#### Financial performance

- Statutory net loss after tax of \$123.6m, compared to net profit of \$487m in FY22
- Adjusted funds from operations (AFFO) per security of 15.3 cps in line with FY22
- Distributions per security of 15.2 cps representing a payout ratio of 99.7% of AFFO
- \$4.9bn of assets under management
- Weighted average market capitalisation rate increase of 42 bps from 5.43% at 30 June 2022 to 5.85% contributing to a \$264.1m decrease in property valuations
- Balance Sheet Gearing of 31.3% which is at the lower end of target range of 30-40%
- Net tangible assets of \$2.55 per security, down by 9.2% compared to 30 June 2022

The statutory net loss has mainly been impacted by property revaluation in 2022-23 after a challenging year for real estate investments trusts with pressures on property values, however, there has been an increase in Net Operating Income growth of 4.2%. RGN released guidance with its FY23 result for a reduction in the unfranked dividend in 2024 from 15.2 cents to 13.7 cents. The centres continue to show strong sales growth, increasing turnover rent, higher occupancy rates and there are good leasing spreads.

Looking forward to 2023-24, RGN is now concentrating on optimising its return from its current portfolio rather than acquiring new centres where there is significant competition from private investors who will tend to accept lower returns and yields. In addition, it was indicated that RGN will look to dispose of lower yielding smaller centres with a view to utilising funds released to optimise the performance of higher yielding centres. There will be an update on the performance of the business for the first quarter of FY24 at the AGM.

#### 5 Year Summary

As at 30 June 2023	2023	2022	2021	2020	2019
Statutory Profit (\$m)	(123.6)	487.1	462.9	85.5	109.6
FFO (\$m)	192.5	192.7	159.0	140.8	141.8
Share price (\$)	2.27	2.75	2.52	2.18	2.39
Distribution (cents)	15.2	15.2	12.4	12.5	14.7
Simple TSR <sup>1</sup> (%)	(11.9)	15.2	21.3	(3.6)	3.6
FFO/Security (cents)	16.90	17.40	14.76	14.65	16.33
CEO total remuneration, actual (\$m)	2.096	2.026	2.37	2.34	2.94

<sup>1</sup> Simple TSR 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 issues, key board or senior management changes

It is good to see that the board comprises three male and three female directors all of whom except for one director hold shares equivalent to or in excess of each director's annual fees. It is noted that one director with 11 years on the board has indicated that she will retire from the board in 2025, At this stage the plan is to add another director in 2024.

At the Pre-AGM meeting the Chair indicated that the board and CEO were now considering the plan to recruit and appoint a new COO to replace Mark Fleming who leaves the company after 10 years of service. In addition, it appears unlikely that the new COO will be appointed as an Executive Director, leaving only the CEO as at Executive Director, as is usual practice with ASX companies.

The current auditors, Deloitte, have been retained every year since the company listed, so we asked about the review and tender process for appointing the auditor. We were advised that the last review and tender was completed in 2021 with three auditors involved in the tendering process. This process is normally driven when there is a change in the managing partner of the current auditor who oversees the audit of the RGN. We were advised that the current auditor was retain in 2021 based on the quality of their audit processes and the fairness of their audit fees.

## Sustainability

The company is making good progress with its solar and sustainability strategies which are detailed in FY23 Sustainability Report. There are six Western Australian centres with roof top solar panels and RGN has approximately 10 centres being reviewed for the installation of roof top solar panels.

It was also noted that the carbon emissions targets have been included as part of the STI's for executives.

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## Appendix 1

### Remuneration framework for FY24

CEO rem. Framework for FY24	Target* \$	% of Total	Max. Opportunity \$	% of Total
Fixed Remuneration	1,130,116	34	1,130,116	30
STI - Cash	406,407	12	621,564	17
STI - Equity	406,407	12	621,564	17
LTI	1,356,139	42	1,356,139	36
Total	3,299,069	100	3,729,383	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. Some remuneration framework set a maximum opportunity amount, but not all.

For the CEO, the STI is based on an evaluation of four performance conditions to a maximum value of 110% of Fixed Remuneration (FR) while the LTR is based on two metrics (rTSR and AFFOPS) measured over 3 years to a maximum value of 120% of FR and subject to an additional one year holding period. For the COO, the STI is capped at 90% of TR.

With regard to Resolutions 4 and 5 for the CEO, the STI award and LTI award are based on 185,811 units and 620,034 units respectively valued at \$2.1872 per unit, being the average ASX price over 5 trading days after release of the FY23 full year results.

With regard to Resolution 6 for the COO, only the STI component is to be voted upon and the award is based on 106,327 units valued at \$2,1812 per unit.