Australian Shareholders' Association
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Improved remuneration structure but targets too low

Company/ASX Code	**Scentre Group/SCG**
AGM time and date	10am, Thursday, 4 April 2024
Location	Wesley Conference Centre 230 Pitt St Sydney
Registry	Computershare
Type of meeting	Hybrid- Physical/Interactive online
Monitor	Allan Goldin, assisted by Thivyan Aravindan
Pre-AGM Meeting	Yes Ilana Atlas, Chair, Catherine Brenner, NED, Chair Human Resources Committee, Andrew Clarke, CFO, Melinda Dolph, Head of Reward and Benefits and Maureen McGrath, Company Secretary

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

Summary of Issues and Voting Intentions for AGM

While the Group is performing very well, its profitability, as reported by its preferred measurement, is still below that seen 10 years ago, likewise this is the case for its book value per share.
Remuneration is well structured but has low targets which do not require outstanding efforts to earn rewards.
It will be interesting to observe in the future if Scentre uses its landbank to generate greater profitability.

Proposed Voting Summary

No.	Resolution description	
2	Re-election of Carolyn Kay as a Director of the Company	For
3	Re-election of Guy Russo as a Director of the Company	For
4	Re-election of Margaret Seale as a Director of the Company	For
5	Adoption of Remuneration Report	For
6	Approval of grant of performance rights to Elliott Rusanow, MD and CEO	For
	Special Resolutions	
7	Amendment to the Constitution of Scentre Group Limited	For
8	Amendment to the Constitution of Scentre Group Trust 31	For
9	Amendment to the Constitution of Scentre Group Trust 2	For
10	Amendment to the Constitution of Scentre Group Trust 3	For

Matters Considered

Consideration of accounts and reports - No vote required

Scentre Group is to be congratulated on moving back to a hybrid meeting thus providing the best opportunity for all shareholders to make their voices heard.

Customer visitation to the 42 Westfield destinations was 512 million, up 32 million or a 6.7% increase on 2022, a lot of this was driven by the activation program which included new strategic partnerships with leading brands Disney, Live Nation and Netball Australia.

This is part of the continued customer focused drive to make Westfield centres a destination that customers want to visit. The result of all this activity is that, overall, the retail tenants achieved $28.4 billion in sales, an increase of $1.7 billion or 6.4% compared to 2022 and representing a record across the Westfield platform.

At the same time demand from retailers to be part of the Westfield experience is strong with occupancy increasing to 99.2% at 31 December 2023. During the year 3,273 leasing deals were concluded and on average, specialty rent escalations increased.

The downsizing of major department stores such as David Johns and Myer, which was previously perceived as a threat, has turned into a great opportunity to make space for new, often more upmarket brands.

The increase in Scentre's profitability and the continuing spending by consumers on retail has been somewhat surprising in light of other economic news. What the near future holds is a little less certain.

At the end of February, Statistics New Zealand reported that retail sales had fallen for the eighth straight quarter. In Australia projections are that retail sales will hold up, but not strongly and potentially running below increasing costs. While this may mean that retail profits stabilise or only slightly increase, we have recently seen major retailers, such as JB Hi-Fi and Myers, reporting profit drops. However, SCG may have a couple of extra arrows in their quiver.

In Australia, Real Estate Investment Trusts (REITS) the main measurement of success is Funds From Operations (FFO). In SCG's case although the tenants produced record sales and the Group's FFO and operating profit increased, the numbers are still behind pre Covid days. Scentre says part of the reason for this is that during the difficult Covid years instead of increasing the amount of equity which would disadvantage shareholders, they increased their borrowings to fund the real and potential problems, while still allowing increased developments. Although their current debt is well within acceptable levels and is easily covered from cash generation, the huge increase in interest costs of the last few years means that FFO is not increasing faster.

The company sees other potential ways to increase profitability. Currently some $15 Billion worth of Scentre retail assets are in joint ownership, and they own 100% of another 12 Australian shopping centres valued at $20 billion. The Group could enter a 50% joint venture for 5 or 6 of these assets, to significantly reduce debt, while providing monies for development. In fact, if Scentre desired they could technically sell down some or all of the Westfield Destinations to 25% ownerships level while still retaining the management rights in perpetuity.

The other major opportunity is 670 hectares of land both in the existing 42 Westfield Centres and their land bank. All of this land is situated in major population centres near good transport links.

The ability to develop these land holdings in a non-retail manner, while remaining committed to the goal of providing a good customer retail experience, is a substantial opportunity.

This year saw the retirement from the Chair of Brian Schwartz after 15 years with the Westfield Group in various forms and the start of Ilana Atlas's reign which we hope will be, both one of increased profit and transparency. It would be wonderful to see an individual Director's skill matrix in the Annual Report.

In the past, Directors in Westfield's various incarnations seem to stay around for a long time, however it is assumed that sometime in the next year Michael Ihlein will step down. He has been on the Scentre board for 10 years and the board of the entity that, prior to Scentre's creation, controlled Westfield assets, for a further 4 years. This will create a real opportunity to refresh the board hopefully with someone young who has understanding and real life expertise in the digital world.

Financial performance

(As at FYE)	**2023**	**2022**	**2021**	**2020**	**2019**
NPAT ($m)	175	301	888	(3732)	1180
Funds from Ops (FFO) ($m)	1094	1040	863	766	1332
Share price ($)	2.99	2.88	3.16	2.78	2.83
Dividend (cents)	16.60	15.75	14.25	7.00	22.60
Simple TSR (%)	10.43	(3.88)	18.79	(25.59)	4.00
FFO per share (cents)	21.11	20.06	16.64	14.76	25.18
CEO total remuneration, actual ($m)	5.46	4.24	4.0	4.7	7.5

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.

Sustainability/ESG

In recognition of the complexity and importance of risk from climate change and the Group's sustainability strategy, this responsibility has been moved away from the heavy workload of the Audit and Risk committee and will be the responsibility of a new committee chaired by Margaret Seale.

Since 2014, Scentre have achieved a 41% reduction in Scope 1 and 2 emissions across the portfolio of Westfield destinations.

It completed four rooftop solar installations in 2023, which more than doubled the total solar generation capacity from 5.9MW to 12.2MW. The Group has entered into a long-term energy agreement in New South Wales and Victoria, which together with the existing agreements in Queensland and New Zealand, will assist in achieving the plan for net zero by 2030 (Scope 1 and 2 emissions).

The Group continues to progress towards their waste recovery targets and have developed a strategic waste management plan. The plan looks to embed strong business partner behaviours, leverage of supply chain, implement technology and focus on circular design.

4. Rationale for Voting Intentions

Resolution 2 That Carolyn Kay be re-elected as a Director of the Company - FOR

Carolyn has had more than 30 years of experience in the finance sector as an executive and non-executive Director. As an executive, Carolyn worked as a banker and lawyer at Morgan Stanley, JP Morgan and Linklaters & Paines.

Carolyn Kay's only other current ASX directorship is with National Australia Bank. She is also a member of the Foreign Investment Review Board, Myer Family Investments, and Chair of Rothschild & Co Australia.

Carolyn Kay is one of a number of Scentre Directors with Finance experience and as she has been on the board for 8 years it is assumed this is her last term. ASA will vote their undirected proxies in favour of this resolution.

Resolution 3 That Guy Russo be re-elected as a Director of the Company - For

Guy has served as CEO, Wesfarmers Department Store Division (Kmart & Target); Managing Director, Kmart Australia & NZ; President, McDonald's Greater China; CEO, McDonald's Australia Ltd. Guy is most well-known for leading the corporate turnaround of Kmart Australia creating the largest and most profitable retail department store in the country.

Guy Russo's only other ASX listed Directorship is with SomnoMed. He is also currently the Chair of Australian-owned Guzman Y Gomez.

Mr. Russo with his extensive experience in the retail world and one of the few Scentre Directors with retail customer-facing expertise ASA will happily be voting their undirected proxies in favour of his re-election.

Resolution 4 That Margaret Seale be re-elected as a Director of the Company - For

Margaret has more than 25 years' experience in the consumer goods, health and global publishing sectors, in sales and marketing, and in the successful transition of traditional business models to digital environments. Immediately prior to her non-executive career, Margie was Managing Director of Random House Australia and New Zealand and President, Asia Development for Random House globally.

Margaret Seale's other current ASX directorship is with Westpac. She is also a non-executive Director of JANA Investment Advisers Pty Ltd, Seaborn Broughton & Walford Foundation and Pinchgut Opera Ltd.

As Margaret Seale is part of the small cohort on the Board to have some retail customer – facing experience we will vote our open proxies in her favour. As she has been on the board for 8 years we assume this will be her last term.

Resolution 5 That the Remuneration Report for the financial year ended 31 December 2023 be adopted - For

More details of the remuneration structure are in Appendix 1.

Scentre Remuneration Report is among the most transparent that ASA sees and must be praised for this, plus the fact that the structure has improved greatly over the past few years. We still have considerable unease with the fact that the targets are set at a soft level to allow Scentre senior executive team to continue to be among the highest paid in the S&P/ASX200 Index.

The STVR or short-term variable reward measured over 1 year looks very good in terms of both financial and non- financial criteria, but when for the second year in a row the CEO is paid 90% of the maximum reward, you have to start wondering if this is a mechanism to double the CEO's fixed remuneration.

The LTVR or long-term variable reward, is measured over 3 years as opposed to ASA's preferred 4 year period. The major component (70%) is Return on Contributed Equity (ROCE). A threshold for the payment of this bonus appears to be set with the expectation that there will be increased costs and that even with the decreasing of interest rates, they will not be as low as those experienced just pre-Covid. But it does not seem to include the expectation that senior management will drive profitability to levels above what would be normally expected for the generous fixed remuneration they receive. This has resulted in setting a minimum threshold, for 50% of this bonus to be paid, which means the 2026 ROCE only needs to be 9.76% exactly the same as that achieved in in 2023. This is hard to think of as a stretch target.

The other 30% is based on a comparison of the Group's performance relative to a comparator group, which is good. However, 50% of this bonus is paid if Scentre Group is just average, ie equal to the index. Then 100% is paid if Scentre is 6% above the index. This is nothing but a bonus for being average. A cursory look shows that even some members of this comparator group have more demanding targets for awarding this bonus.

Happily, the last of the dreaded retention bonus will be paid out this year, with $11,493,219 being paid to the former CEO Peter Allen, the last of his termination payments.

Due no new retention bonus, long term being 3 years not 1 year, TSR being included and greater transparency and a better structure we reluctantly vote in favour. The soft targets that appear to be set so senior executives will continue to achieve substantial rewards, means that unless they are changed, we could vote against the remuneration report in the future.

Resolution 6 That approval is given for the issue to, and acquisition by, the Managing Director and Chief Executive Officer Elliott Rusanow of 1,481,317 performance right - FOR

This resolution relates to two different awards.

Firstly, 226,297 of performance rights, at the time of grant worth $631,098, is the 30% equity component of the 2023 STVR. These rights have been earned and will automatically vest as 226,297 Scentre shares on 15 December 2026.

The other 1,255,020 performance rights are the maximum number that will convert to Scentre sharers on December 2026 and 15 December 2027. The exact number of shares that will vest will be determined by fulfilment of criteria mentioned in Resolution 5 and Appendix 1.

As we voted for the remuneration report we feel compelled to vote for this resolution even though we do not feel the targets for the awards are as demanding as they could be.

Resolution 7 Special Resolution - That the amendments to the constitution of Scentre Group Limited, as described in the explanatory notes to the Notice of Meeting be approved with effect from the close of this meeting - FOR

The changes in the constitution are primarily to bring the existing constitution in line with what is now required or regulated practice. ASA will be voting any open proxies we receive in favour of this resolution.

Resolutions 7 to 9 are special resolutions requiring at least 75% of the votes cast to be in favour for the resolution to be carried.

Resolution 8 Special Resolution - That the constitution of Scentre Group Trust 1 is amended in accordance with the provisions of the supplemental deed and executed and lodged with the Australian Securities and Investments Commission - FOR

As Scentre has inherited a messy corporate structure that evolved from the various mechanisms and mergers that occurred in the past, thus these resolutions are required to bring all the various entities in alignment.

ASA will be voting any open proxies we receive in favour of this resolution.

Resolution 9 Special Resolution - That the constitution of Scentre Group Trust 2 is amended in accordance with the provisions of the supplemental deed and executed and lodged with the Australian Securities and Investments Commission- FOR

As Scentre has inherited a messy corporate structure that evolved from the various mechanisms and mergers that occurred in the past, thus these resolutions are required to bring all the various entities in alignment.

ASA will be voting any open proxies we receive in favour of this resolution.

Resolution 10 Special Resolution - That the constitution of Scentre Group Trust 3 is amended in accordance with the provisions of the supplemental deed and executed and lodged with the Australian Securities and Investments Commission - FOR

As Scentre has inherited a messy corporate structure that evolved from the various mechanisms and mergers that occurred in the past, thus these resolutions are required to bring all the various entities in alignment.

ASA will be voting any open proxies we receive in favour of this resolution.

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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	2.0	29.7%	2.0	22.0%
STI - Cash	1.4	20.7%	1.82	20.0%
STI - Equity	.6	8.9%	.78	8.6%
LTI	1.75	25.9%	3.50	38.5%
Retention	1.0	14.8%	1.0	10.9%
Total	6.75	100.0%	9.1	100%

The Remuneration report is well set out, with good detail on what the KMP's are paid with the actual and the statutory tables.

The CEO, CFO and Director, Human resources all had their base remuneration increased as they moved into the second year of their role. The CEO now receives a base of $2,000,000 a year the same as his predecessor.

The Short-Term Variable Remuneration (STVR) is measured over 1 year. 70% of the STVR is paid in cash at the end of the year. The other 30% is delivered as performance rights which vest 3 years after the grant date as no cost shares. Page 50 of the Annual Report sets out the criteria to be measured, the weighting of each and where appropriate the target. Last year the then incoming CEO Elliot Rusanow and the outgoing CEO Peter Allen received 93% of the maximum. This year Mr. Rusanow received 90% of his bonus as did the other 4 KMPs, which meant his fixed pay of $1,800,00, after the inclusion of the STVR grew to $3,903,660. ASA believes seeing a 1 year bonus repeatedly being awarded at 90% questions if this bonus merely a method of increasing base pay.

The Long-Term Variable Remuneration (LTVR) is measured over 3 years as opposed to ASA's preferred 4 years. For the CEO this award is a maximum of 175% of his fixed remuneration.50% of this award vests at the end of the 3 years and the other 50% at the end of 4 years.

70% of the LTVR is based on Return on Contributed Equity (ROCE). For the 2024 award in December 2026 the threshold (for 50% vesting) has been set at 9.76%.

9.76% is the ROCE at December 2023 and as we said earlier despite the vagaries of interest rates and increasing costs, to gain a bonus a senior executive should be seen to be doing more than that which he is paid to do his job, such as increasing profitability well above the expected level, not merely treading water.

The other 30% is paid based on a three year cumulative performance compared to a group of six (6) domestic REITS. In relation to the index of these comparative companies SCENTRE must be equal to the index to get 50% of the award and 6% more than the index to get 100%. Again, the criteria is good but merely being equal to get 50% of the bonus is not rewarding outstanding performance. Again, being average means the CEO will get an additional $1,050,000.