Australian Shareholders' Association

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Company/ASX Code	SCA Property Group (SCP)
AGM date	Wednesday 24th November 2021
Time and location	2.00pm - live webcast and virtual platform at https://agmlive.link/SCP21
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Lewis Gomes assisted by Keith Ready
Pre AGM-Meeting	Yes, with the Chair - Philip Marcus Clark and Deputy Chair - Steven Crane

One the individuals (or their associates) involved in the preparation of this voting intention has a security holding in this company.

	Consideration of accounts and reports
ASA Vote	No vote required

SCA shows continued resilience with the move to shopping locally in face of COVID-19

Financial Performance

The ongoing issues with Covid-19 has continued to impact on the business in FY21 so it has been another challenging year for SCA Property Group (SCP). However, it is noted that the company's convenience-based centres have shown considerable resilience and have benefited from the continuing shift to shopping locally.

Financial result reflected this resilience with Funds from Operations (FFO) at $159.0 million, an increase of 12.9% on FY20 and FFO per unit was 14.76 cents per unit (cpu), an increase of 0.8% on FY20. Distributions totalled 12.4 cpu which comprised of 5.7 cpu in the first half and 6.7 cpu in a strong second half. This was an improvement from the 5.0 cpu paid in the second half of the FY20 financial year. A comprehensive disclosure of the impacts of COVID-19 on the Group's FY21 results is set out in Note 3 to the Financial Statements in the FY21 Annual Report.

In FY21 the resilience of its centres gave the board and senior management confidence to continue to grow the portfolio by acquisition. During the year, SCP contracted to acquire nine convenience-based centres, seven of which were completed during FY21 for $452.4 million and two were subsequently completed in July 2021 for a further $121.8 million. During the year SCP successfully wound up two of its retail managed funds. SURF1 made a final return to unitholders in October 2020 achieving an internal rate of return (IRR) of 11% for unitholders, while SURF 2 made its final return to unitholders in May 2021, achieving an IRR of 12%. The last of the SURF series, SURF 3 has since been wound up post year-end (October 2021) and its 3 centres sold to SCP for $53.6 million. At the Pre-AGM meeting with the ASA, the Chairman advised that SCP is considering a capital partner arrangement whereby SCP provides the acquisition and management expertise to new shopping centres while the capital partner and third-party lenders provide most of the funding. In this way, SCP earns management and performance fees with much less reliance on its own balance sheet.

The balance sheet is in a strong position with gearing at 31.3% as at 30 June 2021 which is towards the lower end of the target range of 30%-40%. The company also underwrote the Distribution Reinvestment Plan (DRP) in August 2021, raising $72.4 million in new equity, which will assist it to fund several post-balance sheet date acquisitions and maintain gearing toward the lower end of the target range. In further post year-end transactions, in October it agreed terms to buy a neighbourhood centre in Brisbane for $54.5 million and in November, SCP announced the acquisition of Delacombe Town Centre near Ballarat, Victoria for $112.0 million.

As at 30 June 2021, the cost of debt had reduced to 2.4% and with cash and undrawn facilities of $290.6 million, SCP considers that it is well positioned to capitalise on further investment opportunities as they arise in the future.

Group strategy and outlook

The core objective of SCP is to produce defensive resilient cash flows to support secure and growing long-term distributions to unitholders. The COVID-19 pandemic continues to disrupt the business, with lockdowns and other restrictions in place in New South Wales and Victoria during the first half of FY22. In July 2021 with the uncertainty of ongoing COVID-19 lockdowns, SCP was not prepared to offer guidance for FY22 as it normally would have but with the most recent lockdowns now easing, in October 2021 it provided market guidance for AFFO for the first half of FY22 of “at least” 7.1 cpu and for the second half of FY22 “at least” 7.9 cpu. A further update is expected to be given at the upcoming AGM on 24 November.

The Board is providing strong support for management’s initiatives on sustainability, including the new strategy and targets, which are outlined in the CEO’s message and in the Sustainability Report.

Management and staff

Since the COVID-19 pandemic started in 2020 and then extended throughout most of 2021, the management and staff have been subjected to abnormal disruption and demands which have created stress and anxiety, both in their working environment and in their personal lives, however staff have responded well to these demands.

Mark Lamb, the company's General Counsel and Company Secretary resigned as Company Secretary on 31 December 2020 and retired as an employee of the Group on 1 July 2021. Erica Rees, Senior Legal Counsel, was appointed Company Secretary on 5 February 2020 to succeed Mark Lamb.

Board Changes

Dr Kirstin Ferguson retired as a director effective on 17 August 2021. The board is now well advanced with the search for a new independent Non-Executive Director to replace Phil Redmond who resigned in October 2020 and has now commenced a search for a replacement to Dr Ferguson. SCP is seeking candidates with experience in property management and/or financing, and possibly with past CEO experience.

Financial Summary

Item (as at FYE)	**2021**	**2020**	**2019**	**2018**	**2017**
NPAT ($m)[1]	462.9	85.5	109.6	175.2	319.6
FFO ($m)	159.0	140.8	141.8	114.3	108.4
Security price ($)	2.52	2.18	2.39	2.45	2.19
Distribution (cents)	12.4	12.5	14.7	13.9	13.1
TSR (%)	5.84	(4.1)	3.6	18.4	1.8
FFO per unit (cents)	14.76	14.65	16.33	15.30	14.70
CEO total remuneration, actual ($m)[2]	2.37	2.34	2.94	2.00	2.42

1.includes significant items 2. Includes components of prior year STI and LTI awards

For 2021, the CEO's total actual remuneration was **25.3** times the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics).

Resolution 1	Adoption of Remuneration Report
ASA Vote	For

Up to and including FY21, SCP was paying quite modest remuneration packages to its CEO and CFO (and presumably other executive staff). For FY21, the CEO received a Total Fixed Remuneration (TFR) of $965,000 while the CFO received $662,500. The CEO was also eligible for a maximum Short Term Incentive (STI) equal to 100% of TFR and a maximum Long Term Incentive (LTI) also equal to 100% of TFR while the corresponding figures for the CFO were 70% of TFR for both the STI and LTI. In FY20, no STI was awarded even though some non-financial metrics were met, due to the impacts of Covid 19 on overall unitholder outcomes. For FY21, the Board awarded 98% of maximum STI to both the CEO and CFO. Of the awarded STI, half was paid in cash and the other half awarded in rights to deferred units vesting after 12 months. STI is judged across two financial measures (AFFOPU and Rent Collection) totalling 80% and personal performance totalling 20%. LTI is judged 60% on relative TSR (rTSR) and 40% on AFFOPU growth. The details are provided in the Annual Report.

However, the Board has been concerned that its low, by market standards, remuneration framework for the CEO and CFO made SCP vulnerable to losing senior executives to competitors in what is a very competitive environment for quality staff. Consequently, the Board has restructured its remuneration for FY22 with an increase in TFR for the CEO of about 9.5%, an increase in the maximum STI to 110% of TFR and maximum LTI of 120% of TFR. Slightly higher increases have been applied to the CFO. The new framework for the CEO is shown on the following table as confirmed by SCP in an ASX release on 8 November.

CEO Remuneration Framework for FY22

Component	Target $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.055	33.1	1.055	30.3
STI - Cash	0.435	13.6	0.580	16.7
STI - Equity	0.435	13.6	0.580	16.7
LTI	1.266	39.7	1.266	36.3
Total	3.191	100.0	3.481	100.0

The remuneration framework is generally in accordance with ASA guidelines except for the LTI testing and retention periods which are shorter than desired. This point was raised in the Pre-AGM meeting and SCP acknowledged our views but restated its past position that it thinks a 3 year testing period plus a one year deferral of LTI awards is reasonable and appropriate to its business. Given the performance of the business over such a challenging period and noting that no STI was paid for FY20 and that STI and LTI maximum awards are still modest compared with other similar companies, the ASA will be voting all undirected proxies FOR this resolution.

Resolution 2	**Re-election of Mark Fleming as an Executive Director**
ASA Vote	**For**

Mr Fleming is an experienced finance executive and has been an Executive Director of SCP since August 2013. Prior this Mr Fleming was CFO for Treasury Wine Estates. Mr Fleming has also held senior finance roles at Woolworths Limited, and was an investment banker with UBS and Goldman Sachs prior to that. Mr Fleming holds both a Bachelor of Economics and a Bachelor of Laws. It is noted that the ASA prefers to only have one executive on the board of a company, namely the CEO, but SCP maintains that Mark is a valuable addition to the Board and provides succession opportunities to the CEO if needed. Consequently, the ASA will be voting all undirected proxies FOR this resolution.

Resolution 3	**Approval of issue of STI Rights under the Executive Incentive Plan to the CEO Anthony Mellowes**
ASA Vote	**For**

As noted above, the CEO has been awarded 98% of his maximum STI for FY21 which amounts to a value of $945,700 of which 50% is awarded in rights at $2.6667 per unit (the unit price following the release of the FY21 financial results) resulting in 177,316 STI rights being the subject of this Item 3. Given the ASA's past support for the remuneration plan for FY21, the ASA will be voting all undirected proxies FOR this resolution.

Resolution 4	**Approval of issue of LTI Rights under the Executive Incentive Plan to the CEO Anthony Mellowes**
ASA Vote	**For**

The maximum LTI award for FY22 for the CEO is based on the increased TFR of $1,055,000 and the increased LTI multiplier of 120%. At the post-financial results unit price of $2.6667, this sum equates to 474,744 LTI Rights. Given the ASA's support for the FY22 remuneration framework, the ASA will be voting all undirected proxies FOR this resolution.

Resolution 5	**Approval of issue of STI Rights under the Executive Incentive Plan to the CFO - Mark Fleming**
ASA Vote	**For**

The CFO was awarded 98% of his maximum STI for FY21 which is 70% of his TFR resulting in an award of 85,213 STI Rights (0.5x98%x70%x$662,500/$2.6667). Consistent with Resolution 3 above, the ASA will be voting all undirected proxies FOR this resolution.

Resolution 6	**Approval of issue of LTI Rights under the Executive Incentive Plan to the CFO - Mark Fleming**
ASA Vote	**For**

Using similar methodology to that in Resolution 4 above, the CFO has been awarded 244,853 LTI Rights at a value of $652,950 for FY22. Using the data provided by SCP in its recent ASX Release, the CFO has been awarded an increased TFR for FY22 of $725,500, a 9.5% uplift on his FY21 TFR. Maximum LTI is now 90% of TFR (previously 70% of TFR). Consistent with the support for Resolution 4, the ASA will be voting all undirected proxies FOR this resolution.

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