



Making the most of favourable market conditions

Company/ASX Code	Cedar Woods Properties/CWP
AGM date	Wednesday 3 November 2021
Time and location	10 am (WST) offices of Corrs Chambers Westgarth, level 6 Brookfield Place Tower 2, 123 St Georges Tce, Perth.
Registry	Computershare
Webcast	Physical meeting (with attendee restrictions) plus Webcast
Poll or show of hands	Poll on all items
Monitor	John Ferguson
Pre AGM Meeting?	Yes: with Chair William Hames, NED Valerie Davies, Managing Director Nathan Blackburne and Company Secretary Paul Freedman.

John Ferguson owns shares in the company

Summary of issues for meeting

The major issue to be addressed at the AGM is the \$100.16m of franking credits held in the company's accounts.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Governance and culture

The company has a well-established Board with a broad range of skills and experience relevant to the property development sector. Reference was made to the Board's Skills Matrix (available on-line in the company's Corporate Governance Statement) in making the case for a Board well credentialed to manage challenges thrown up by COVID-19 and the newly added corporate value of creating community connection.

The Board is highly conscious of the need for independent decision making given the Chairman (Mr. William Hames) and Deputy Chairman (Mr. Robert Brown) are company founders with substantial shareholdings and are not regarded as independent. To counterbalance this, both Board committees (Audit and Risk Management, Remuneration and Nominations) are composed of independent NEDs only.

Company culture is very positive with a strong focus on innovation, future growth opportunities, prudent capital management and developing an attractive workplace. The company won three

industry awards for excellence through the year – testament to the quality of its operations. It also introduced a range of strategies to bolster staff retention and career progression.

Risk management strategies are well imbedded in company operations with a diverse range of ready-to-use tools. Added to this is a good record of sustainability through well-developed ESG strategies. The company's response to climate related risk (Annual Report p39-43) is exemplary.

Financial performance

FY2021 was a sharp rebound year for the company. Government stimulus measures contributed to strong sales rates, price growth and the bringing forward stock into markets with limited supply. Revenue was \$300m (up 15% from the previous year) and Net Profit After Tax was \$32.8m (up 61.1%). At year end, a record \$478m of pre-sales were booked (up 33%).

The year's fully franked dividend was 26.5cps (up 39.5%) and Total Shareholder Return was 31.9% (up 34.3%). Dividend reinvestment and share bonus plans were in place and raised \$5m in equity.

At year's end bank debt stood at \$113m (with ~\$94m in undrawn headroom within the company's long-term debt facilities). Net bank debt/equity was 28%, at the lower end of the company's target range of 20%-75%.

Key events

Property acquisitions are the corner stone for the company's prosperity. Two major acquisitions were made in Brisbane and Melbourne (a total of 62.4 hectares). The company now has a development pipeline of more than 8,800 lots/units across four Australian states.

Key Board or senior management changes

Mr Paul Say was appointed to the Board as an independent NED on 3rd May 2021. Mr Say is domiciled in NSW and will bring valued perspectives about property dynamics on Australia's East coast.

Mr. Brendan Gorringer was appointed to the senior role of National Acquisitions Manager on 14th April 2021. The role was created to support the company's growth ambitions.

ASA focus issue (not discussed under remuneration report or re-election of directors)

Under the focus of shareholder fairness, the issue of the return of franking credits to shareholders has been raised again and will be raised at the AGM. For many self-funded retirees operating in a zero-tax environment, the return of franking credits is of great value. Close to 75% of company shareholders hold less than 5,000 shares which suggests many may benefit greatly from a release of franking credits. The company holds over \$100m of franking credits (approximately \$1.24cps). Historically, the Board has maintained a modest dividend pay-out ratio to fund growth initiatives which it believes works against the release of franking credits.

The non-disclosure of any details about indemnity insurance for directors of the company was raised. Non-disclosure was at the behest of the insurance companies. Comment was made about the difficulties of even finding an insurer to provide cover. Some unflattering comment was made about litigation funders.

Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	32.8	20.4	48.6	42.6	45.4
Share price (\$)	6.71	5.24	5.70	5.76	5.21
Dividend (cents)	26.5	19	31.5	30.0	30.0
Simple TSR (%)	26	12.4	6.6	14.8	22.3
EPS (cents)	40.7	25.4	60.9	53.9	57.6
CEO total remuneration, actual (\$m)	0.983	0.983	0.981		

For 2021, the CEO's total actual remuneration was **10.5 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics).

Note - For May 2021, the Full-time adult average weekly total earnings (annualised, original) was \$93,444 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings").

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.

Item 2	Re-election of Ms. Valerie Davies as a Director
ASA Vote	For

Summary of ASA Position

Ms Davies was appointed to the Board on 21 September 2015.

Ms Davies is a professional company director with broad experience across public and private companies, government boards and community organisations. She has worked in the media, marketing and television production industries. Currently Ms Davies is a NED of ASX-listed Event Hospitality and Entertainment Limited.

Ms Davies is Chair of the Remuneration and Nominations Committee and has a relevant interest in 16,278 company shares.

Item 3	Confirmation of appointment Mr. Paul Say as a Director
ASA Vote	For

Summary of ASA Position

Mr Say was appointed to the Board on 3 May 2021.

Mr Say is a specialist in corporate finance, capital allocation and investment management and has 40 years of experience in the commercial and residential property sector. He is domiciled in NSW.

Currently he is a NED of ASX-listed ALE Property Group, SGX-listed Frasers Logistics and Industrial Fund and the Cameron Brae Group.

Mr Say has a relevant interest in 14,500 company shares.

Item 4	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

The company seeks to position executive remuneration between the median and upper quartile of its direct industry peers and seeks the assistance of external remuneration consultants. The balance of fixed remuneration (FR) and incentive opportunities (STI and LTI) is sound. For example, the balance for the Managing Director (at maximum opportunity) is 37% FR, 30% STI and 33% LTI.

For any STI payment to occur, two trigger hurdles have to be met: NPAT has to equal or exceed 90% of the budget and there is no reportable safety issue. Clawback provisions can also be applied at the discretion of the Board. Cash payments are subject to meeting performance targets both at the personal level and the overall performance of the company. These targets are clearly set out. For the MD, 55% of STI is paid out by way of zero priced share options.

Two financial metrics (relative TSR against the ASX Small Industrials Index and EPS compound annual growth rate) are used to calculate the LTI award. The Board demonstrated admirable discretion in lifting the 2021 target for EPS growth because of the low 2020 base arising from the effects of COVID-19.

Overall, remuneration practises align with ASA Voting Guidelines. One exception is the 3 year vesting period for the award of LTI share rights. Board members suggest that a 4 or 5 year vesting period (as per ASA Guidelines) would put them at a competitive disadvantage in attracting talent. A fatality was recorded at a company worksite during the year. After internal and external inquiries, it was found the company had met all safety requirements.

Item 5	Approval of the issue of Zero-Price Options (ZEPOs) under the FY21 Deferred STI Plan to Mr Nathan Blackburne or his nominee
ASA Vote	For

Summary of ASA Position

Under this scheme \$173,786 was awarded by way of 32,182 ZEPOs using a face value approach. The ASA is supportive of remuneration aligned with shareholder interests, has clawback provisions and the calculation of the number of ZEPOs is done fairly.

Item 6	Approval of issue of Performance Rights under the FY22 LTI Plan to Mr. Nathan Blackburne or his nominee
ASA Vote	For

Summary of ASA Position

Under this LTI scheme, \$689,400 was awarded by way of 102,895 performance rights using a face value approach. The ASA is supportive of remuneration aligned to shareholder interests, has clawback provisions and the calculation of the number of performance rights is done fairly.

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Appendix 1

Remuneration framework detail

CEO rem. Framework for FY21	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	0.766	41%	0.766	41%
STI - Cash	0.190	10%	0.285	15%
STI - Equity	0.232	12%	0.348	19%
LTI	0.689	37%	0.689	37%
Total	1.877	100.00%	2.088	111%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. *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.