Australian Shareholders' Association

Australian Shareholders' Association Limited
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Good planning and diversification pay a dividend.

Company/ASX Code	Stockland Corporation/SGP
AGM time and date	2:30pm AEDT Monday 16 October 2023
Location	Level 2, Piccadilly Complex, 133 Castlereagh St, Sydney www.lumiagm.com/348003564
Registry	Computershare
Type of meeting	Hybrid with webcast
Monitor	Julieanne Mills assisted by
Pre-AGM Meeting	Yes with Chair Tom Pockett, NED and Chair People & - Melinda Conrad, GM Performance and Reward- Greg Kiddle, GM Investor Relations- Ian Randall, NED Adam Tindall- Audit and Sustainability committee

Monitor Shareholding: The individual(s) (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/EGM

In general Stockland is a well-run company, the new strategy seems to have placed them in a good position for the changes in the economy and they are well placed to take advantage of the turnaround in housing demand. We don't have too many concerns with its board and management, but we challenged them on the following issues.

- Chair succession plan, independence and minimum shareholding policy?
- What did the FY23 external review of the board highlight?
- Remuneration Incentives: LTI at 300% of FR, measured over a 3 year performance period.
- Confidence in Auditors.
- Housing affordability and the future of MPC and LLC.
- How difficult is it to achieve commercially sustainable carbon reductions?

No.	Resolution description	
2	Re-election of Director - Tom Pockett	For
3	Re-election of Director - Kate McKenzie	For
4	Re-election of Director - Andrew Stevens	For
5	Approval of Remuneration Report	For
6	Grant of Performance Rights to Managing Director	For

See ASA Voting guidelines and Investment Glossary for definitions.

3. Matters Considered

Accounts and reports

Financial performance

(As at FYE)	2023	2022	2021	2020	2019
NPAT ($m) Statutory	440	1381	1105	-21	311
FFO ($m)	847	851	788	825	897
Security price ($) 30/6	4.03	3.61	4.66	3.31	4.17
Distribution per security (cents)	26.2	26.6	24.6	24.1	27.6
Simple TSR (%)	18.9	(16.8)	48.2	(14.8)	12
EPS (cents)	18.5	57.9	46.4	(0.9)	13
FFO/security (cents)	37.1	35.7	33.1	34.7	37.4
CEO total remuneration, actual ($m)	3.241	3.294*	5.39	2.45	4.2

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.

*reflects first full year of Mr Gupta's CEO remuneration and includes sign on payments of $650,000 no LTI or STI Equity is included.

It has been a difficult operating environment for most real estate trusts (REITs) with macroeconomic and geopolitical uncertainty reflected in higher interest rates and inflation, and cost of living and housing affordability pressures. Stockland (SGP) should benefit from increases in immigration and a lack of housing stock and are pivoting to more affordable housing options. The post COVID-19 move to working from home has also affected office occupancy and valuations.

Net profit fell from $1B to $440M reflecting a loss of $256M in NTA (net tangible value of assets), after a $702M valuation gain in FY22.

Funds from operations (FFO) at $883M saw 3.8% growth. FFO/security was 37.1c

Recurring return on invested capital (ROIC) has fallen below target 6-9% to 3%. Development ROIC 18% at end of target

Commercial properties saw 13% earnings growth, Communities 17% earnings growth and a 9% decline in settlement volumes in Master planned communities (MPC) this was offset by price growth and margin expansion.

Town centre was up 8.2%

Partnerships with Mitsubishi East Asia and Ivanhoe Cambridge provided a strong balance sheet with substantial liquidity, gearing was cut from 23.4% to 21.9%. The partnership with Mitsubishi East Asia has been extended to include MPC.

FY 23 saw the sale of $266M of non-core Town Centres

FY23 distribution of 26.2c/security, representing a 74% payout ratio post tax FFO, was 0.4c below the prior year.

Governance and culture

The Stockland board has a majority of independent directors with one executive director the CEO. Good cross section of skills and expertise at Board level across property, governance, board and climate risk, perhaps a bit light on data analytics and supply chain logistics.

A group skills matrix and details about board composition are included in the Annual Report. The ASA would prefer a skills matrix that reflects individual director's skills however we note that the details for directors in the Annual Report are reasonably comprehensive. The new CEO has added some broader diversity to the board and that is welcome.

The Chair has been in this role for seven years and on the board for nearly 10 years. The ASA feels that the independence of the chair is compromised after 10 years, which is where he will be at the end of this 3 year term. In FY23 board external review found that succession planning was a priority, and the board is working on that. The chair indicated that he was planning on being there for the full term. The board comprises 37.5% women.

We questioned the board on their confidence in PwC as auditors. The board has questioned the management of PWC and is confident that there are no concerns. They also feel that they have one of the best REIT expert partners involved in their audit.

Minimum shareholder requirement (MSR) policy requires directors to hold 40,000 securities within 3 years of commencement. Melinda Conrad, Christine Reilly, and Stephen Newton have gone beyond this amount with Mr Newton purchasing 30,000 in FY23. We commend Directors that put their own money at risk. We still do not agree with the MSR policy in place that only requires 40,000 shares for Directors.

A new Nominations committee has been split from the People and Culture committee; it is chaired by Melinda Conrad.

SGP has a sustained high level of employee engagement at 88. It is recognised as an AFR top 100 graduate program. They have invested in building team skills, reduced the gender pay gap by 0.4%, and have pathways for women to higher paid roles. The result is a leadership team with 41% women and potential to improve.

Key board or senior management changes

No significant changes to board or management

Remuneration

Well described remuneration report pp 81-98 Annual Report with simple explanations and good graphics. Remuneration framework at a glance is provided on p82.

ASA continues to be concerned about the 3-year performance period for the long-term incentives (LTI). We like to see at least 4 years. We do however acknowledge that there is a 4-year vesting period for half of the performance rights and a discretionary overlay by the board including clawback and malus. We will continue to monitor the outcomes of these rewards.

No changes are planned for remuneration in FY24. See appendix for further details on remuneration.

Risk, Sustainability and People and Culture Committee Member fees for non-executive directors (NEDs) increased from $17,500 to $20,000 in line with Audit from July 2023 seems reasonable.

FY 23 saw an increase in KMP, Mr Whitson and Ms Mason, fixed remuneration (FR) from $800K to 850K.

Sustainability/ESG

First climate transition action plan with with short-, medium-, and long-term goals. A refreshed ESG strategy aiming for a commercially sustainable reduction pathway to attract and retain capital and customers. Scenario analysis has been conducted using IPCC and IEA data.

SGP has accelerated their Net zero Scope 1 & 2 to 2025 (3 years earlier) and plan to halve Scope 3 emissions by 2030.

The new 2021 baseline reflects Scope 1 =1% of total emissions, scope 2 =12% of total emissions, Scope 3 (products and services and energy used by tenants) = 89% total emissions.

Reporting is aligned to science-based target initiative (SBTi), Taskforce for climate-related financial disclosures (TCFD), and ISSB.

They plan to maximise onsite renewables across the portfolio (solar at scale) adding 32MW of solar PV on top of existing 18MW, and accelerate lower carbon materials. There is a possible scope 1 & 2 transferral from logistics to higher consumption assets and provide tenants with renewable energy. They are accelerating to all electric housing developments.

A plan to embrace circularity with less virgin materials, recycling building materials, and increasing water efficiency.

Resilience assessments are ongoing with capital and operating expenditure allocated to investment in asset adaptation and physical resilience. The introduction of cool roofs, cool roads and pavements and canopy cover has seen a 2.4 degree reduction in urban heat.

Stockland have developed a tool with EY to measure social value and have a target for $1B investment by 2030. The focus will be on housing affordability and First Nations.

Carbon offsets will only be used where necessary.

In 2023, Stockland commenced a First Nations “Stretch” Reconciliation Action Plan (RAP), with an aim for a 3% procurement spend ($4.32M FY23) and employment focus. SGP has developed an internal indigenous engagement team. Working with First Nations Clean Energy Network and indigenous design within country. 90% employees have had cultural training.

4. Rationale for Voting Intentions

Resolution 1 - Re-election of Director - Tom Pockett

Appointed to board in 2014, Chair from 2016. Extensive experience in property and financials including Woolworths CFO, CBA deputy CFO and finance roles at Lendlease. As chairman he has overseen improvements to gender balance, sustainability and the appointment of the new CEO.

He is currently also a director of IAG.

Mr Pockett's shareholding remains at 50,000 which ASA feel is not commensurate with a $500K pa chairman's fee and his time on the board. We would like to see more skin in the game, but there is no indication it will happen. Mr Pockett is coming up to 10 years on the board and 7 years as chair. The ASA believes that after 10 years a chair can no longer be considered independent, we would like to see a succession plan that addresses this in this term.

We would like Tom to speak to the meeting about what he brings to the board.

The ASA will vote FOR the re-election of Tom Pockett because on balance we feel he has made a significant positive contribution to the board.

Resolution 2 - Re-election of Director - Kate McKenzie

Kate was appointed to the board in December 2019 Extensive experience in telecommunication and govt sector. She is the current Chair of NBN Co, and a director of Healius and AMP. She is a member of the Audit committee and Sustainability committee.

We would like Kate to speak to the meeting about what she brings to the board.

Shareholding 40,000.

The ASA will vote FOR the re-election of Kate McKenzie.

Resolution 3: Re-election of Director - Andrew Stevens

Appointed to the board in July 2017 Ex PWC Chair of Sustainability committee, member of Risk and People and Culture committee. He is an advocate for ESG and we have seen significant progress in this area. He is a Director of Thorn Group and Ooh Media. Further details can be found in the Notice of meeting.

We would like Andrew to speak to the meeting about what he brings to the board.

Shareholding 40,000.

The ASA will vote FOR the re-election of Andrew Stevens.

Resolution 4 - Approval of Remuneration Report

The remuneration report is well described. Aligned to shareholders returns and has opportunity for considerable reward for the CEO and KMP for outstanding results. The board sees this as necessary to retain and motivate. Maximum LTI was increased in FY22. ASA would prefer a longer performance period for the LTI but recognise that there is a vesting period of 4 years and the ability for board discretion, malus and clawback. See appendix for further detail, or pp 78-99 of the annual report.

The ASA will vote any open proxies FOR the approval of the remuneration report this year and will continue to monitor the outcomes.

Resolution 5 - Grant of Performance Rights to Managing Director

Approval of Mr Tarun Gupta participation in Stockland Performance Rights Plan 740,248 performance rights for FY2024

Tarun Gupta's 2024 Long term incentive (LTI) grant is valued at a maximum of $4.5m. The number of rights were determined at face value using the VWAP for the 10 days post 30 June 2023 of

$4.0527. The final amount however will depend on any change in share price and his performance outcomes.

As we have voted for the remuneration report we will vote FOR approval of the performance rights to the CEO this year.

Appendix 1
Remuneration framework detail

CEO rem. Framework for FY23	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.5	25	1.5	18.2
STI - Cash	0.750	12.5	1.125	13.6
STI - Equity - deferred over 1 & 2 years	0.750	12.5	1.125	13.6
LTI deferred over 3 & 4 years	3.0	50	4.5	54.6
Total	6.0	100.0%	8.25	100%

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. Some remuneration framework set a maximum opportunity amount, but not all.

Actual FY 23

STI = 115% of FR : 50% cash = $862,500 and 212,822 deferred equities vesting over 2 years based on VWAP 10 days post June 30 2023 of $4.05.

FR =$1,500,042

LTI=N/A

Actual remuneration $3.241m

Key remuneration changes for FY23

STI scorecard performance measure: introduced recurring ROIC and development ROIC for alignment to strategy.

LTI measure: introduced absolute TSR as a second measure alongside relative TSR.

Extended maximum vesting to 150%

Removed acceleration of unvested time based incentives on good leaver termination.

STI

Financial (60%) measures: FFO, recurring ROIC, Development ROIC

Value Drivers (40%): strategy, customer and partners, people and culture

Individual awards and a discretionary overlay by board

LTI

Target 200% of FR, Maximum 300% of FR, performance rights measured at face value VWAP post June 30

3 year performance period. Maximum remuneration for the CEO increased by $1.5m or 17% from FY22 due to the increased LTI maximum.

Measured on relative TSR 60% (50% at threshold 100% at 10% above 15% max vesting 150%) and absolute TSR 40% - (8%-11% growth = vesting 50-100%, 13% and above max vesting at 150%) for FY24, based on VWAP of $4.0527.

Sustainability/ESG is measured as a discretionary overlay and within the STI scorecard SGP is working to embed ESG into all BAU decisions.

Risk, Sustainability and People and Culture Committee Member fees for NEDs increased from $17,500 to $20,000 in line with Audit for from July 2023