

## Mirvac seeks resilient cash flows through funds management and build-to-rent

<b>Company/ASX Code</b>	<b>Mirvac/MGR</b>
<b>AGM time and date</b>	11 am 16 November 2023
<b>Location</b>	Level 25, 200 George Street, Sydney
<b>Registry</b>	Link
<b>Type of meeting</b>	Hybrid
<b>Monitor</b>	Pamela Murray-Jones with John Price
<b>Pre-AGM Meeting</b>	With Chairman Rob Sindel; Chris Akayan, Chief Culture & Capability Officer; Ben Morris, Group General Manager, Human Resources and Gavin Peacock, General Manager, Investor Relations

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

### 1. How we intend to vote

No.	Resolution description	
2	Re-election of directors	
	2.1 Re-election of Rob Sindel	For
	2.2 Re-election of Christine Bartlett	For
	2.3 Re-election of Samantha Mostyn	For
3	Adoption of the Remuneration Report	For
4	Participation by the CEO and Managing Director in the long-term Performance Plan	For

### 2. Summary of Issues and Voting Intentions for AGM/EGM

- Sustainability of dividends.
- The omission of a Board Skills Matrix in the AR and the clarity around what value each director up for re-election brings to the Board. We have requested that directors to be re-elected at the AGM speak to their skills as well as their experience.
- Samantha Mostyn's commitment to Mirvac with 11 positions listed on her public profile and a security holding in the company lower than ASA guideline for equivalent to 100% base cash fees within three years of election.
- Mirvac has increased the amount of the STI to be deferred to 40% which is an improvement, though still below ASA's guideline of 50%.

See [ASA Voting guidelines](#) and [Investment Glossary](#) for definitions.

### 3. Matters Considered

#### Accounts and reports

It has been a difficult year for REITs with re-valuations of property downwards, higher global interest rates, and the changing urban environment focused less on expanding office space and more on affordable inner-city housing.

In response to the current challenges, Mirvac is concentrating on developing a more modern portfolio with increased resilience. This means seeking capital partnerships and lifting their exposure to the living sectors and industrial sectors in Sydney. They expect to build 5,000 apartments over the next 5 years as part of their innovative build-to-rent initiative and they aspire to have this sector form more than 10% of their portfolio in future. Pleasingly, occupancy has remained high in Mirvac's office sector at 95% with a focus on the quality end of the market.

However, the refocusing of the strategy has meant changes on the board and the senior executive team with a new chairman and new CEO. These changes were planned, and the position of the CEO was filled internally, therefore they were not necessarily concerning.

#### Financial performance

Despite a 3% decline in operating earnings, and a 106% decline in cash flow from 2022, the company increased its dividend by 3%. This was financed mainly by asset sales. This begs the question whether dividends are sustainable at this level and how the company expects future dividends to be funded.

(As at FYE)	2023	2022	2021	2020	2019
NPAT (\$m)	(165)	906	901	558	1019
UPAT (\$m)	580	596	550	602	631
Share price (\$)	2.26	1.98	2.92	2.17	3.13
Dividend (cents)	10.5	10.2	9.9	9.1	11.6
<sup>1</sup> Simple TSR (%)	19.4	(28.7)	39.1	(27.8)	49.6
Operating EPS (cents)	14.7	15.1	14.0	15.3	17.1
<sup>2</sup> CEO total remuneration, actual (\$m)	4.9	3.5	5.9	3.05	7.03

1. These figures are substantially different to the last two years' figures given on page 16 of the Annual Report because of the differences in calculations. 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.

2. This figure is the actual remuneration of Susan Lloyd-Hurwitz who was CEO until February 2023 but as noted on p.59 of the Annual Report only ceased employment on 30 June 2023.

## **Governance and culture**

Mirvac's board consists of eight directors, three of whom are women. Six of the eight directors are independent, excluding James Millar who is no longer considered independent because of the length of his tenure. However, Mr Millar is expected to announce his retirement before the end of the year to allow for board refreshment.

While there is a considerable depth of experience apparent from the director profiles, we would also like to have seen a skills matrix in the Annual Report (See Issues for the AGM). A Board Skills Matrix helps shareholders better understand what skills the board has identified as critical to implementing the strategy, and how well these skills are covered.

One of the pillars of value in Mirvac's strategy is "being trusted by governments and communities". Consequently, we also questioned the board on their confidence in PwC as auditors given the recent exposure of the "integrity failures" of PwC, which were found to be widespread<sup>1</sup>. The board maintained it is confident that there are no concerns. However, with trust in corporations being at an all-time low, we asked for some detail on how they manage their own brand risk when dealing with suppliers/partners who may be seen as tainted. We were provided with several examples.

In terms of broader company culture, Mirvac has a good record in gender equality being named as the number one company in the world by Equileap for gender equality. They also demonstrate a healthy internal culture in their focus on developing their people in readiness for filling senior positions as they become vacant, and seeking feedback from staff, customers, and partners.

### **Key board or senior management changes**

As noted earlier in the report, during the year there was considerable change in the Board and the leadership team. All were internal appointments with the changes and new roles aligned to Mirvac's new strategy.

- John Mulcahy announced his retirement from Mirvac in October 2022, having served on the board since 2009 and as Chair since November 2013. He was succeeded by Rob Sindel.
- Susan Lloyd-Hurwitz retired on 30 June 2023 as CEO and was succeeded by Campbell Hanan
- Brett Draffen resigned as Chief Investment Officer (CIO) of Mirvac. He was not replaced, and his duties were subsumed into the roles of CFO and new Development Division.
- Victoria Tavendale was appointed as Chief Asset Management Officer.

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<sup>1</sup> In May 2023, following a breach of PwC values and policies, Dr Ziggy Switkowski AO was commissioned by PwC Australia to conduct an Independent Review of Governance, Culture and Accountability. See <https://www.pwc.com.au/about-us/commitments-to-change/independent-review-of-governance-culture-and-accountability-at-pwc-australia.pdf>

- Richard Seddon was appointed as CEO, Investments.

### **Sustainability/ESG**

Mirvac have already reached their scope 1 and 2 target for 2030 and have released a new environmental plan detailing the target for scope 3 emissions. They have a 5-star NABERS Energy rating on 17 of their office assets and recycle 95% of their construction waste. They aim to be water positive by 2030.

They also have a focus on social impact using community partnerships, which are detailed in the Annual Report.

## **4. Rationale for Voting Intentions**

ASA will be voting in favour of all resolutions.

### **Resolution 2: Re-election of directors**

All three directors are experienced, independent directors, though, given the omission of a Board Skills Matrix in the Annual Report, we have requested that they provide more information on their skills when they speak to their election at the AGM.

Regarding our concerns about Samantha Mostyn's workload and skin in the game, the Chairman assured us that Ms Mostyn is diligent and always well-prepared for board meetings. We will be voting for her re-election with the proviso she can address the perceived issues at the AGM.

### **Resolutions 3 and 4: Adoption of the Remuneration Report and Participation by the CEO and Managing Director in the long-term Performance Plan**

Unfortunately, the remuneration (REM) report lacks the clarity we would like in terms of dollar outcomes, and consequently we asked for the REM Framework table below to be checked by the company. Nonetheless, the REM framework aligns broadly to ASA guidelines though we would prefer a 50% deferral for the STI rather than the current 40% deferral.

We intend to vote for the adoption of the report but have asked the Board to consider some improvements to the way information is presented in the future to provide greater clarity around the framework.

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## Appendix 1 Remuneration framework detail

CEO rem. Framework for FY23	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.5	29%	1.5	25%
STI - Cash	0.9	17%	1.35	22.5%
STI - Equity	0.6	11%	0.9	15%
LTP	2.25	43%	2.25	37.5%
Total	5.25	100.0%	6.0	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 frameworks set a maximum opportunity amount, but not all.