Australian Shareholders' Association

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Development pipeline, diversification and design quality hold Mirvac in good stead

Company/ASX Code	Mirvac / MGR
AGM date	Tuesday 16 November 2021
Time and location	11am AEDT, meeting held online only: https://agmlive.link/MGR21
Registry	Link
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Mary Fifita assisted by John Cowling
Pre AGM-Meeting	Yes, with Chair - John Mulcahy, Non-Exec Director - Christine Bartlett, Head of Culture & Capability – Chris Akayan, General Manager, Investor Relations – Gavin Peacock, Group GM Human Resources – Benjamin Morris

Please note any potential conflict as follows: The individual (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

NOTE: ASA will be attending the AGM and voting proxies and asking questions as per usual.

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

Summary of ASA Position

As a diversified asset and community creator, the Mirvac business model has sustained the business through the pandemic and will continue to provide protection from structural changes occurring in the market.

Dividends increased by 9% to 9.9 cents and EPS was down 9% to 14 cents however, still ahead of FY21 guidance. Statutory profit increased 61% year on year to $901m however, operating profit was down 9% to $550m. The increase in statutory profit was derived from revaluation gains across the portfolio. The total portfolio valuation uplift (including Investment Property Under Construction (IPUC)) was 3.4% at 30 June 2021. Unsurprisingly the biggest increase across the portfolio was in the Industrial asset class increasing from 3.7% in FY20 to 13.1% in FY21. The pandemic has accelerated the growth of eCommerce which has positioned Mirvac's industrial division well with the higher demand for last mile industrial and logistics hubs coinciding with projects such as the Switchyard, Auburn last mile logistics development.

The residential division was able to ride market momentum for housing which continued despite the lockdowns and executed new lot sales of over 3,300 including $300m of apartments, and 2,526 settlements versus guidance of 2,200. Mirvac also expects to release an additional 1144 new dwellings in FY22 across seven new sites nationally.

The development pipeline will continue to contribute to profits and revaluations over the next few years from projects such as Waverley, Green Square and Willoughby reaching stages of completion.

Mirvac's first Build-To-Rent (BTR) development, LIV Indigo, in Sydney Olympic Park is now 80% leased. BTR is a relatively new asset class in Australia however, it is quite common already overseas in places such as the USA and Europe. The apartments are designed and built the same way the build-to-sell process occurs however, the ownership is retained by the developer who also manages the building operation and leasing to tenants. Due to its new status in Australia, any meaningful earnings contribution from this asset class is a longer-term proposition however, given the stability of the asset in overseas markets as well as the fact that Mirvac has another 4-5 BTR projects in the pipeline, Mirvac should be able to better define its own leasing, development and funding strategy for the BTR portfolio and provide earnings guidance for the asset in the medium term.

The full impact of Covid is unlikely to be felt for some time and the threat of new variants and shutdowns remains however, there are some potential tailwinds ahead for Mirvac including stronger commercial development profits, additional net operating income from development completions, and a ramp-up in the BTR sector. These factors give Mirvac room to bounce back and lift guidance expectations throughout the year.

Financial Summary

(As at FYE)	**2021**	**2020**	**2019**	**2018**	**2017**
NPAT ($m)	827	558	1019	1089	1164
UPAT ($m)	550	602	631	608	534
Share price ($)	2.92	2.17	3.13	2.17	2.13
Dividend (cents)	9.9	9.1	11.6	11.0	10.4
TSR (%) 1 yr	39.1	(27.8)	49.6	7.04	10.59
Operating EPS (cents)	14.0	15.3	17.1	15.6	14.4
CEO total remuneration, actual ($m)	5.9	3.05	7.03	5.92	4.87

For 2021, the CEO's total actual remuneration was **63 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) was $93,444 (http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0, "Full-time adult average weekly total earnings".

Item 2. Re-election of Independent Directors

Item 2.1	**Re-election of Independent Director – John Mulcahy**
ASA Vote	**For**

Summary of ASA Position

Mr Mulcahy was appointed to the Board as a Non-Executive Director on November 2009 and as the Chair in November 2013. Mr Mulcahy has over 30 years of leadership experience in financial services and property investment. Mr Mulcahy is currently a Director of ALS Limited (formerly Campbell Brothers Limited), Zurich Australian Insurance subsidiaries, Deputy Chair of GWA Group Limited and Chair of ORIX Australia Corporation.

Mr Mulcahy has now served on the Mirvac Board for 12 years. Generally, the ASA believes that tenure of directors should be limited to no more than 12 years otherwise the ASA no longer classifies the director as independent. When queried on this point, Mr Mulcahy clarified that both he and Mr Millar will retire during the term in line with the Board renewal strategy and are only staying on until the replacement directors are recruited.

ASA will vote its undirected proxies in favour of Mr Mulcahy.

Item 2.2	Re-election of Independent Director – James Millar
ASA Vote	For

Summary of ASA Position

Mr Millar was appointed to the Board in November 2009. James spent much of his career at Ernst & Young (EY), from the Insolvency & Reconstruction practice, to CEO in the Oceania Region and also Director on their global board. Mr Millar is currently the Chair of the Export Finance Australia, Forestry Corporation NSW and Cambooya Pty Ltd. He also serves on a number of charities and is Chair of the Vincent Fairfax Family Foundation and Director of Vincent Fairfax Ethics in Leadership Foundation.

Mr Millar has now served on the Mirvac Board for 12 years. Generally, the ASA believes that tenure of directors should be limited to no more than 12 years otherwise the ASA no longer classifies the director as independent. When we queried the Chair on this point, he clarified that both he and Mr Millar will retire during the term in line with the Board renewal strategy and are only staying on until the replacement directors are recruited.

ASA will vote its undirected proxies in favour of Mr Millar.

Item 3	Remuneration Report
ASA Vote	For

Summary of ASA Position

Due to the challenges and uncertainty caused by the COVID-19 pandemic, for FY21 the Board removed the ROIC hurdle from both the STI and LTP plans. For the STI, operating profit remained as the single financial performance measure to determine STI pool funding. The STI pool has a gateway requirement of Group operating profit being at least 90% of the target as well as meeting criteria on a scoreboard of strategic objectives. For the LTP, the Board retained the relative TSR measure as the single performance measure for the FY21 award.

The CEO remuneration increased to $5.9m in FY21 from $3.05m in FY20 due to the following:

- **Fixed rem:** In FY20 the CEO took a voluntary 20% reduction for a 3-month period
- **STI:** at 166% of target for FY21 vs no STI award for FY20
- **LTP:** 76% vesting of the FY19 LTP award v 43.4% vesting of the FY18 LTP award. The 3-year performance period for FY19 LTP achieved absolute TSR of 36.23% which was in the 64th percentile resulting in vesting of 78% of the relative TSR component. The 3-year ROIC of 7.5% exceeded WACC resulting in vesting of 74.6% of the ROIC component. The total vesting for the FY19 LTP award was 76%.
- **Security price:** increased to $2.92 on 30 June 2021 vs $2.17 on 30 June 2020

For the FY22 LTP plan, the Board will consider the prevailing conditions, noting their preference is to revert to a mix of ROIC and relative TSR.

CEO rem. Framework for FY22	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.5	30	1.5	24
STI - Cash	.9	18	1.8	29
STI - Equity	.3	6	.6	10
LTI	2.25	45	2.25	37
Total	4.95	100.0%	6.15	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.

Item 4	**Participation by the CEO & Managing Director in the Long Term Performance (LTP) Plan**
ASA Vote	**For**

Summary of ASA Position

This motion proposes that performance rights totalling a maximum opportunity of $2.25 million could be granted provided the performance hurdles are met. This year the LTP hurdles have reverted back to using 2 hurdles:

- 40% weighting: Relative Total Shareholder Return (TSR)
- 60% weighting: Return on Invested Capital (ROIC)

Performance rights granted under the LTP plan will generally only vest and be converted into stapled securities where any applicable performance conditions have been satisfied within the Performance Period.

The grant price will be the average daily closing price on the ASX of a stapled security in Mirvac for the one-month period up to and including the AGM date, reduced only by an estimated value in respect of dividends and distributions that may be paid on a stapled security during the Performance Period. The performance period commences 1 July 2021 and ends on 30 June 2024.

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