



Mirvac performance and CEO remuneration are both scraping the sky!

Company/ASX Code	Mirvac Group / MGR
AGM date	Tuesday 19 November 2019
Time and location	11am Hilton Brisbane, Queens Ballroom, Level 5 190 Elizabeth Street, Brisbane
Registry	Link Market Services
Webcast	Yes – Hybrid AGM
Poll or show of hands	Poll on all items
Monitor	Sonja Davie
Pre AGM Meeting?	Yes with Chair John Mulcahy

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

Summary of ASA Position

Governance and culture

The Mirvac Board of ten directors comprises 5 men and 5 women. Gender diversity is important to the organisation. The Board is also focussed on contributing to the community and prioritising worker safety. The Company aims to use the strong position of the group to have an increased focus on customer satisfaction, technology and the company’s long-term strategy in FY20 (financial year 2020).

Financial performance

Mirvac has increased operating profit from \$608m (FY18) to \$631m (FY19), or 4% in a year, at a time when the real estate market has generally been under pressure. Mirvac’s security price jumped 44% in the past year. Distributions were increased by almost 5%. On the downside, the statutory profit declined by 7%, falling to \$1,019m in FY19 from \$1,089m in FY18.

Key events

During the year, Mirvac had a capital raising that raised \$750m from institutions and \$46m from retail shareholders via a Security Purchase Plan (SPP). There was an issue with the SPP where the retail securityholder participation rate was low. The Company bought back \$130m in stapled securities, having commenced a buy back in FY18. The Group also issued \$665m of new debt in the US Private Placement Market.

The year saw the sale of a 50% interest in Calibre at Eastern Creek and acquisition of a 50% interest in 10-20 Bond Street, Sydney. The Company also acquired a 14-hectare, future industrial estate and logistics hub at Manchester Road, Auburn for \$94.2m in a joint venture.

Key Board or senior management changes

Two new board members, Jane Hewitt and Peter Nash, were appointed at the end of last year and are up for election at the AGM. This is part of a welcome board refresh as four directors have been on the board for 9 years or more.

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

Mirvac is once again holding a virtual annual general meeting, with securityholders able to ask questions and vote online in real time. Digital technology has been used to present the Annual Report and Notice of Meeting for several years, with good readability and transparency.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	1006	1083	1164	1033	610
UPAT (\$m)	631	608	534	482	455
Share price (\$)	3.13	2.17	2.13	2.02	1.85
Dividend (cents)	11.6	11.0	10.4	9.9	9.4
TSR (%)	42.3	7.0	10.5	14.5	8.9
EPS (cents)	27.6	29.4	31.4	27.9	16.5
CEO total remuneration, actual (\$m)	7.03	5.92	4.87	4.50	3.89

For 2019, the CEO's total actual remuneration was **80 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Note - For May 2019, the Full-time adult average weekly total earnings (annualised) was \$88,145 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings", Trend(a)).

Item 2.1	Re-election of John Mulcahy as a Director and Chair
ASA Vote	For

Summary of ASA Position

John Mulcahy has been a Director of Mirvac Group for 10 years and the Chair for 6 years. Another 3-year term will technically take him over the ASA recommended maximum of 12 years for non-executive directors but there is the possibility of retiring before the end of three years. In light of the recent constitutional changes at CBA, I asked for clarification of Mirvac's rules around rotation of directors:

10.3 Rotation of Directors

At each annual general meeting one-third of the Directors for the time being or, if their number is not three nor a multiple of three, the number nearest to but not more than one-third of the Directors must retire from office. A Director (other than the Managing Director) must retire from office at the conclusion of the third annual general meeting after the Director was last elected or

re-elected (as the case may be), even if his or her retirement results in more than one-third of all Directors retiring from office. In determining the number of Directors to retire, no account is to be taken of a Director who only holds office until the conclusion of the meeting in accordance with article 10.8 or the Managing Director who is exempted from retirement by rotation in accordance with article 12.28.

Item 2.2	Re-election of James M. Millar AM as a Director
ASA Vote	For

Summary of ASA Position

James M. Millar AM joined the board in November 2009 at the same time as John Mulcahy. James is therefore in the same position as John, where in order to be considered an independent non-executive director by ASA he will need to retire within the next three years. He has a business and accounting background.

Item 2.3	Election of Jane Hewitt as a Director
ASA Vote	For

Summary of ASA Position

It appears this will be Jane's first listed company board, although she has a strong history of working on non-profit boards. Her background is in combining real estate and business development, having founded Unilodge in 1996 and overseen the spread of this particular student accommodation facility around Australia and New Zealand.

Item 2.4	Election of Peter Nash as a Director
ASA Vote	For

Summary of ASA Position

Peter Nash has recently started his non-executive director career, having previously been a Senior Partner with KPMG. We note Mirvac's auditor is PricewaterhouseCoopers. He is also on the boards of Westpac and ASX Limited. He has experience in financial and commercial management.

Item 3	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

CEO rem. framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.500	30%	1.500	24%
STI - Cash	0.900	18%	1.800	29%
STI - Equity	0.300	6%	0.600	10%
LTI	2.250	46%	2.250	37%
Total	4.950	100%	6.150	100%

The amounts in the table above are the statutory 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.

The remuneration structure is essentially the same as in previous years. The only changes are in the quantum of rewards and hurdles: the weighting for the long-term incentives (LTI) hurdles has changed from 50:50 to 40:60 in relation to relative total shareholder return (TSR):ROIC; and the ROIC (Return on Invested Capital) hurdle has been reduced to start at achievement of the Weighted Average Cost of Capital (WACC) for Mirvac, with outperformance comprising exceeding this measure.

Other changes relate to skin in the game, with the minimum shareholding requirement going from 100% to 150% of fixed remuneration for the CEO and from 50% to 100% for other executives. There is also a focus on risk management in assessing the short-term incentive (STI), reflecting the emphasis on this aspect of governance put by the banking royal commission.

The roughly \$7 million take home pay for Susan Lloyd-Hurwitz is at the top end of CEO pay (and more than twice what Matt Comyn from CBA took home). According to the Chair she has earned that money and is a sought-after person, so they need to ensure they keep her at Mirvac. The increase from last year is entirely due to vested LTI payments as the STI amount decreased. Most of the LTI increase was due to a 55% rise in the security price in the 3-year performance period, something that also benefitted securityholders.

Item 4	Employee Security Acquisition Plans
ASA Vote	For

Summary of ASA Position

These plans apply to the CEO/Managing Director and ‘eligible employees’, as determined by the Board, in the case of the Long-Term Performance plan (LTP), and any Australian based employee with more than 6 months of continuous service in the case of the Employee Exemption Plan.

This resolution seeks shareholder approval of the issue of stapled securities under these plans so they are not counted towards the ability of Mirvac to issue up to 15% additional stapled securities without shareholders’ approval.

In considering our vote, we took into account the most recent capital while not carried out using ASA’s preferred for of raising PAITREO, used a placement accompanied by an SPP. And when we contacted Mirvac promptly responded that they would consider raising the cap. In the event the cap was not reached despite being “in the money”.

Item 5	Participation by the CEO/Managing Director Susan Lloyd-Hurwitz in the Long Term Performance (“LTP”) plan
ASA Vote	For

Summary of ASA Position

For the 2019 financial year, 1,159,793 securities are to be issued to Susan Lloyd-Hurwitz. This represents 100% vesting of her performance rights over the 3-year performance period. Discussions have occurred about the need to increase the length of the performance period, without result. ASA has no problem with the performance hurdles (40% relative TSR and 60% ROIC) as they are financial measures that have a direct correlation with shareholder returns.

The securities were worth \$2.34 million at grant date against a potential maximum award of \$2.25 million. The difference is due to the fact that Mirvac uses a combination of face value and fair value to calculate the size of the grant. The original calculation uses the average price of a security over the month before the grant date, however, this is then adjusted using a fair value calculation to allow for the value of all the potential distributions over the following three years. The alternative of not adding in future distributions, as is the case with CBA, was discussed with the Chair.

Three years after the grant date, the value of the securities rose to \$3.63 million and are currently worth \$3.72 million.

Item 6	Refresh of institutional placement capacity
ASA Vote	For

Summary of ASA Position

This is retrospective approval for an institutional equity raising finalised on 4 June 2019 in which Mirvac issued 252,525,253 securities at \$2.97 per security. By approving this resolution, securityholders are allowing Mirvac to once again issue securities up to the 15% maximum as discussed under Item 4.

The individuals involved in the preparation of this voting intention have no shareholding in this company.

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