Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235

If Stockland's new focus succeeds, increased profits may follow.

Company/ASX Code	Stockland Corporation/SGP
AGM time and date	2:30pm (Sydney time) Monday, 21 October 2024
Location	Level 2, Piccadilly Complex, 133 Castlereagh Street, Sydney NSW
Registry	Computershare
Type of meeting	Hybrid
Monitor	Allan Goldin and Daniel Estigoy
Pre-AGM Meeting	Yes with Chair Tom Pockett, Chair of People & Culture Melinda Conrad, Katherine Grace Chief Legal & Risk Officer, Ian Randal GM Investor Relations and Greg Kiddle GM Performance & Reward

Monitor Shareholding: One of the individuals or their associates involved in the preparation of this Voting Intention have a shareholding in this company.

Voting Intentions for AGM/EGM

No.	Resolution description	
2	Re-election of Director – Adam Tindall	For
3	Election of Director – Robert Johnston	For
4	Re-election of Director – Laurence Brindle	For
5	Re-election of Director – Melinda Conrad	For
6	Approval of Remuneration Report	For
7	Grant of Performance Rights to Managing Director	Against
8	Renewal of Termination Benefits Framework	For
9	Increase in the maximum fee cap payable to Non-Executive Directors	Against
10	**Special Resolution:** Amendments to the Company Constitution	Against
11	**Special Resolution:** Renewal of proportional takeover provisions	For
12	**Special Resolution:** Approval of financial assistance in accordance with section 260B(2) of the Corporations Act	For

Summary of Issues

- No big surprises. No reason to think that steady results will change.
- Has the Board really been planning for the future?
- Greater transparency will be looked for in the future.

Matters Considered

Financial performance

(As at FYE)	2024	2023	2022	2021	2020
NPAT ($m)	295	440	1381	1105	-21
Pre-tax FFO ($m)	843	847	851	788	825
Security price ($)	4.17	4.03	3.61	4.66	3.31
Distribution per security (cents)	24.6	26.2	26.6	24.6	24.1
Simple TSR[1] (%)	10.14	18.9	(16.8)	48.2	(14.8)
FFO/security(cents)	35.4	37.1	35.7	33.1	34.7
CEO total remuneration, actual ($m)	5.35	3.294[2]	5.39[3]	2.45	4.2

[1] 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] Reflects first full year of Mr. Gupta's CEO remuneration and includes sign on payments of $650,000.

[3] 2021 CEO remuneration includes contractual termination payment of 6 months' fixed pay for Mr Steinert.

The operating market for real estate was tough, with high interest rates and rising cap rates and Stockland can be said, at best, to have to just hold its own. Looking at the Company's preferred economic measurement, Funds from Operations (FFO), it was down 4.5% year-on-year for FY24. Despite this, we see that performance was only worse in two of the last seven years; during the COVID pandemic years of FY20 and FY21.

	FY24	FY23	FY22	FY21	FY20	FY19	FY18
Pre-tax FFO ($m)	843	883	851	788	825	897	863

With the weighted average cost of debt forecast to remain around 5.4%, partly dependent on the Bank Bill Swap rate (BBSW), and the property market being 'lumpy', the question is whether there will be a significant change in the near future.

Some market commentators estimate that the $1.06bn purchase of Lendlease's 12 Master Plan Communities (MPCs) could potentially add up to $30m to its FFO in the first year that it is fully financial accounted for. However, Stockland will announce in due course, the financial projections when all regulatory approvals have been approved.

The move into Land Lease Communities (LLCs) has been a winner for Stockland. This low-cost retirement model is one in which Stockland owns the land, brings in a Capital Partner, receives payment for undertaking the development, then leases the built property while retaining ownership of the land and then receives ongoing management fees. Not surprisingly, Stockland has 9 Land Lease developments underway in 2024, and a further 5 planned for in 2025.

In addition to Land Lease developments, Stockland sees considerable ongoing potential in the Logistics sector of its portfolio, which is why funds are being re-circulated in to this area, particularly away from Town Centres.

In FY24, $690m was generated from the sale of four non-core Town Centres, and there could be at least another two more Town Centres to be offloaded on the market. Equally, Stockland could decrease their direct investment in Town Centres by partnering with a third-party Capital Partner, which also would free up capital.

The main reason that Workplace remains in the portfolio is that these assets are perceived as having medium development upside. In many cases, this may result higher returns and better use.

Like other Real Estate Investment Trusts (REITs), Stockland's method of operation is to build the logistics centre either with a 'pre-sold' in place or with the intention to find buyers post-completion. Similarly to Goodman Group and other peers within this arena, the Company sees significant appeal in building data centres.

Within Stockland's mainstay Master Plan Communities (MPCs), despite the pressures caused by interest rates and the slow market in Victoria, it is projected that settlements at worst, will be only slightly behind this year. Six new communities were launched in FY24 and with three more planned for FY25.

Stockland has not been in the Apartments game for a few years. While realising that this is an important part of Australia's required housing mix, CEO Tarun Gupta recently expressed however, although they have a few a few apartment developments on the books, they cannot start them – they are just not feasible (AFR 2024). This is a reflection of the current situation with increased construction and funding costs. The Company is confident that this will change in the next few years which is why they are excited by the multi-billion-dollar Waterloo high-rise project that will commence around 2027.

Performance measure – FFO (Funds from Operations)

This non-IFRS measure, is calculated by adding amortisation and depreciation to statutory income, and subtracting any gains made on the sale of assets.

Stockland's capital structure, credit rating and cost of debt requires it to maintain a minimum 60% of its revenue coming from 'recurring' revenue. However, given its core business as a major developer, we raise some concern on its use of FFO, as a key measure of operating performance, a driver of STI and a determinator of its dividend policy.

We believe that FFO, has more relevance for traditional REITs; those businesses that generate a majority of its statutory revenue from the long-term holdings of real estate assets earning rental income, that is, the 'Investment Management' portion of Stockland's portfolio. As Stockland derives a substantial portion of its statutory revenues from development activities, FFO is less applicable to its property portfolio comprising a large revolving build-to-sell inventory.

We think Stockland's use of FFO to narrate its overall group operating performance, and particularly in setting STI targets and as a determinator of dividends, could be a more significant factor in ASA's future voting intentions.

Distributions were at 75% of FFO which was the bottom end which reflects the ongoing growth in the development pipeline.

Environmental, Social, Governance (ESG) Risks

Stockland's Sustainability targets and goals of its 'Four Pillars' are summarised on page 25 of the Annual Report:

- Decarbonisation – a practical, 1.5 degree aligned pathway to net zero emissions;
- Circularity – principles to make resources stay useful, longer;
- Social impact – enhancing our social impact by design;
- Resilience – adapt and regenerate for community resilience.

These are supported by enterprise net zero emissions reduction targets and a social value target that are grounded in science and driven by possibilities:

- Net zero scope 1 & 2 in 2025;
- Most material scope 3 emissions intensity halved by 2030;
- Net zero scope 1, 2 & 3 by 2050;
- Over $1.0bn of social value creation by 2030.

The next 13 pages details the progress being made, via its methodologies being used. Further information is provided from their Energy Data Pack.

Stockland continues to be recognised as an Employer of Choice. In FY24, they achieved an overall employee engagement score of 87, with this metric forming part of the measurement for STI.

Key board or senior management changes

The business was re-aligned into two new segments; 'Investment Management' and 'Development', positioned to capitalise on opportunities and reinforces Stockland's competitive advantages in origination, development and investment management.

This resulted in one of the key management people, one of the major recipients of a retention bonus when Tarun Gupta arrived as the new CEO, Louise Mason moving on. The new structure meant Andrew Whitson's role was expanded to CEO, Development with end-to-end responsibility for Development across all asset classes as well as Project Management, Sustainability and Sales. At the same time a new KMP, Kylie O'Connor, joined the Company to head the investment management side with responsibility for Stockland owned investments and the growing capital partnership platform

It is thought that a Board of Directors would be constantly planning for changes and skill updates. This year the Chair of Risk, Catherine O'Reilly resigns. It would naturally be anticipated that the Chair Tom Pockett will be stepping down in the next year or so followed closely by Stephen Newton. As a consequence, the Company will lose three of their directors experienced in Finance. While Robert Johnston is a very suitable addition to the Board, he is not well-versed in Finance based on the information provided. It would have been thought with an eye to the near future, an appointment of a suitable candidate with either Finance experience, or the Chair in waiting, would have been a more appropriate approach, rather than looking to "temporarily" increase the Board size.

The Company like most, reports on overall skill but gives no real indications as to whom on the Board have the specific and relevant skillsets, or the actual number of those who hold that skill set. Shareholders have no idea of whom, or when, skilled Directors have to be replaced.

As has been said for years, the concept of a fixed number of shares (40,000) is outdated and does not align with a shared financial risk with shareholders. This is particularly the case with the Chair. We inquired when its Board of Directors will be joining much of the ASX200 in following ASA's preferred method; acquiring shares valued at one year's remuneration within 3 years, and their response returned only as being, 'Noted'.

Rationale for Voting Intentions

Resolution 2 - Re-election of Director – Adam Tindall - For

Mr Tindall was appointed to the Board on 1 July 2021. He has over 30 years' experience in investment management and real estate. Mr Tindall was Chief Executive, AMP Capital from 2015 to 2020 where he led a global leading investment manager overseeing funds and separate accounts for clients across a range of asset classes including real estate, infrastructure, equities, fixed income and multi-asset capabilities. Prior to 2009 Mr Tindall held senior leadership roles at Macquarie Capital and Lendlease.

Mr. Tindall has 40,000 shares which aligns with shareholders.

Adam Tindal is one of the Company's many Lendlease alumni and although his expertise appears to be similar to others on the Board we will be casting our open proxies in favour of him.

Resolution 3 - Election of Director – Robert Johnston - For

Mr Robert Johnston's appointment to the Board is effective 1 October 2024. Mr Johnston has more than 30 years of expertise in the property sector including investment, development, project management and construction across Australia and internationally. Mr Johnston was most recently the Chief Executive Officer at the listed property group GPT and has previously held roles as the Managing Director of Frasers Property Australia (formerly the listed property group Australand) and a number of senior management positions with Lendlease both in Australia and overseas.

Mr. Robert Johnston, another Lendlease alumni, with CEO experience in major Australian real estate companies makes him a good candidate for a Board position. Accordingly, ASA will vote its open proxies in favour of his election.

Resolution 4 - Re-election of Director – Laurence Brindle - For

Mr Brindle was appointed to the Board on 16 November 2020. Mr Brindle has extensive experience in the acquisition, development and management of landmark property assets. His executive career included 21 years with QIC where he served in various senior positions including a long-term member of QIC's Investment Strategy Committee and Head of Global Real Estate where he was responsible for a $9 billion portfolio. Mr Brindle was formerly the Chairman of Waypoint REIT, National Storage REIT and Shopping Centre Council of Australia and has previously been a Director of Westfield Retail Trust and Scentre Group.

Mr. Brindle holds 40,000 shares which aligns him with shareholders.

Laurence Brindle's considerable property management experience makes him qualified to serve on the Board and ASA will vote their unallocated proxies in favour of his re-election.

Resolution 5 - Re-election of Director – Melinda Conrad - For

Ms Conrad has more than 25 years of expertise in consumer-related industries, including as a retail entrepreneur and CEO, and roles at Colgate-Palmolive and Harvard Business School. Ms Conrad is currently a Director of ASX Limited and Ampol Limited.

Ms. Conrad has 60,000 shares which aligns her with shareholders.

Melinda Conrad's skills in consumer-related industries makes a very useful counterpoint on the Board. ASA will vote their open proxies for her re-election.

Resolution 6 - Approval of Remuneration Report - For

The bare bones of the structure are acceptable; STI has 60% awarded on financial metrics and 40% on non-financial metrics. Half of the incentive is paid in cash and the other half in equities which is deferred over two years. There is good information as to the rational for awarding the bonus both in the non-financial and the financial hurdles.

The concern is with the hurdles themselves and the award quantum. Knowing that FY24 could be another year when the market conditions were not strong, the financial hurdles were all lowered. Which means that as usual, the CEO ended up with a STI bonus equivalent to more that of his Fixed Annual Remuneration (FAR).

The LTI is measured over a 3-year period; 60% is based on the Company's Relative Total Shareholder Return (RTSR) compared to a group of peer REITs. The other 40% is based on Actual Total Shareholder Return (ATSR).

At face value, with the exception of a minimum of 4 years to be considered long-term, this is acceptable. However, the Companies removed from the comparator list are some of the best performing REITs. The threshold for ATSR is 8% which is practical, but we question as to whether it is the appropriate threshold that justifies a bonus.

The potential quantum of the LTI is a major concern and is discussed in the next resolution.

While we consider the framework passable, hurdles are not particularly high and although we have a major concern on quantum, ASA will vote our undirected proxies in favour for this year.

Resolution 7 - Grant of Performance Rights to Managing Director - Against

This is a resolution requesting for Mr Tarun Gupta to be awarded 699,660 performance rights, which if the LTI hurdles are met, will be converted into no-cost securities.

These performances rights are based on 200% of Tarun Gupta's FAR which is at the high end for CEO incentives. But there is the potential for his bonus to be 300% of his FAR which is an extraordinarily high incentive for a company of this size and complexity.

Stockland should be upfront about its performance rights converting to 1 share at target performance or 1.5 shares at maximum opportunity. Instead, the maximum opportunity of 1,049,490 shares or $4,500,000, being 300% of his Fixed Annual Remuneration, is not mentioned until page 18 of the NOM, the 4th page of explanatory statement on this resolution.

Because of the potential size of the bonus and the fact that the potential number of no-cost securities is not flagged until way down the notice of meeting, ASA will vote our open proxies against this resolution.

Resolution 8 - Renewal of Termination Benefits Framework - For

This resolution allows upon termination of an executive director or executive KMP, the right to receive all the salary, and bonuses, including the vesting of equity at the time of their termination or sometime in the future.

ASA routinely votes in favour of these resolutions as all of the benefits are ones that form part of a remuneration structure that has been presented to the shareholders in the past.

This approval is in force for 4 years.

Resolution 9 - Increase in the maximum fee cap payable to Non-Executive Directors - Against

ASA believes that Non-Executive Directors (NEDs) should receive proper and comparative remuneration for doing their job and if they are being underpaid, we should vote in favour of an increased yearly cap. That is not the rationale in this case.

The current yearly cap is $2,500,000 and the resolution is asking to raise the maximum annual fee cap to $3,000,000. The NEDs are currently being remunerated fairly and are doing so by spending less than $2,100,000 of the yearly cap.

The Company's constitution allows for 10 Directors. After the AGM, Stockland will have 8 NEDs and the Managing Director. At the current yearly cap, the Company can easily support the appointment of another Director.

The reason for the increase is contained in the next motion which wants to temporarily increase the Board to 12 Directors, which ASA opposes.

For these reasons ASA will vote its undirected proxies against this increase in the yearly cap.

Resolution 10 - Special Resolution: Amendments to the Company Constitution - Against

The purpose of this constitutional change is to increase the Board size to 12. For a Company of this market capitalization ($12.6b) and complexities, 12 Directors is too many. The Company agrees with this and is arguing that this is a temporary move to allow it to appoint up to 3 more Directors, so they can be slowly introduced to the Company and bedded down as at least 2 Directors will be stepping down in the next year or two.

It is as important for Boards to plan their succession as it is for the executive side of the business. The Board was, or should have been, aware for a couple of years that this transition was upcoming and should have been using the replacement that we voted on early today and the spare capacity of one Director that they currently have to manage these changes.

For this reason, ASA will be voting its open proxies against this resolution.

Resolution 11 Special Resolution: Renewal of proportional takeover provisions - For

A proportional takeover bid involves an offer for only a proportion of each member's securities. This may allow control of the Company to pass without members having the chance to sell all their securities to the bidder. This may assist a bidder to take control of the Company without payment of an adequate control premium. The approval provisions will allow members to decide collectively if a proportional offer is acceptable in principle and will assist in ensuring that any partial offer is appropriately priced.

This is a provision that has to be approved every three years and again is one that ASA routinely votes in favour.

Resolution 12 - Special Resolution: Approval of financial assistance in accordance with section 260B(2) of the Corporations Act in relation to the acquisition of 12 masterplanned communities - For

This resolution is providing security and guarantee to the PDA entities that will form part of Supalai Public Company which will purchase the 12 masterplan communities (MPCs) from Lendlease. Stockland holds an indirect 50.1 % in the purchaser.

Appendix 1: CEO 2025 Remuneration

CEO rem. Framework for FY25	Target[1] ($m)	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.5	25.0%	1.5	20%
STI - Cash	.75	12.5%	.75	10%
STI - Equity	.75	12.5%	.75	10%
LTI	3.00	50%	4.5	60%
Total	6.00	100.0%	7.5	100%

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

[1] 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.