AGM 2010

Remuneration address

Good afternoon. As Chairman of the HR Committee I would like to provide you with a brief update on Stockland's remuneration approach before you vote on our Remuneration Report.

Setting remuneration policy and managing executive performance and reward is a responsibility your Board takes very seriously.

Stockland's Human Resources Committee, on behalf of the Board, oversees all of Stockland's employment and remuneration policies to ensure they are well aligned to our securityholders' interests and are fair and balanced. This includes considering and reviewing all matters related to the appointment, performance and remuneration of Directors, the Managing Director, and other key executives.

We assess the appropriateness of our remuneration framework each year and I am pleased to report it has proven robust through changing business cycles. We actively monitor the tax, regulatory and governance developments in this area and we have been proactive in addressing recommendations such as those from the Productivity Commission.

This year we introduced two key enhancements aimed at strengthening the alignment of executive performance with the long-term interests of our securityholders.

Firstly, we have introduced a minimum security holding requirement for our executive committee of two times the value of fixed pay for the Managing Director and one times fixed pay for the rest of the executive committee. These executives must retain Stockland securities acquired under our long-term incentive plans until they meet this minimum holding.

Secondly, in response to feedback from securityholders, we have tightened the vesting rules for equity-based incentives and these incentives will now not vest unless earnings per security growth exceeds the target. This is in keeping with our treatment of the total securityholder return hurdle. Our previous policy required EPS to equal the target.

With regard to our ongoing remuneration management, I'd like to look briefly at each of the three elements of our remuneration framework and the key outcomes for the year.

Firstly, fixed pay. Recognising the ongoing challenges of the economic climate, the Board exercised restraint on executive fixed pay with no increase in fixed pay awarded to the Managing Director for the third consecutive year. There was also no increase in executive fixed pay except where an individual's responsibilities materially changed or there was a significant anomaly compared to the market as measured by independent benchmarking. There will also be no increase in the base director's fee for 2011, following no increase for the previous two years. Based on external benchmarking however, we have made some adjustments, both up and down, for certain Board Committee roles. We believe these are responsible decisions in the current climate and reflect the changes in the workloads of these committees. Based on our external benchmarking, I am confident that our fixed pay is competitive and not excessive.

The **second element** of our remuneration framework is annual performance pay. This is determined by measuring the individual's performance against a set of balanced scorecard objectives and any payments are funded out of the year's underlying profit. The Board makes a series of judgments when determining the bonus pool, including assessing the quality of earnings. In doing this we seek to balance all relevant considerations to achieve fair and reasonable pay outcomes in the interests of our securityholders. Your Board believes we have achieved that outcome this year.

The **final element** of our remuneration framework is long-term incentives, or equity pay. The award of equity pay is based on two hurdles – total shareholder returns and earnings per share – with each hurdle accounting for 50 per cent of the award. It is important to note that the way long-term incentives are required to be disclosed, in accordance with statutory obligations and accounting standards, often differs markedly from the actual value of the awards achieved in practice. For this reason, this year we have included a table on page 23 of our report which summarises the actual rewards our executives received for the year. We hope this new method of reporting more clearly demonstrates that our incentive arrangement is genuinely at risk and aligned with Group performance.

Finally, let me say that setting and applying effective remuneration policy is viewed by the Board as one of our most important responsibilities. We are committed to ensuring executive pay is fair, competitive and reasonable and does not provide windfall benefits unrelated to an individual's performance. In short, our remuneration approach aligns management's objectives with long-term securityholder interests in a way that is balanced and consistently applied through the different economic cycles.

I commend the remuneration report to you.

Thank you.