VICINITY CENTRES

Annual Report 2021

REAL LIFE EXPERIENCES

IMMERSE YOURSELF IN A WORLD OF CHOICE

INSIDE

DFO Homebush, NSW


OROTON
Salvatore Ferragamo
COMPANY STORE
Salvatore Ferragamo
FOSSIL

Emporium Melbourne, VIC

2021 INTEGRATED ANNUAL REPORT

Our vision is to reimagine destinations of the future, where people love to connect.

HIGHLIGHTS

7.4%
FFO GROWTH

FY21 Funds From Operations (FFO) increase

98.2%
OCCUPIED

Portfolio remains highly occupied despite COVID-19 disruption

12
APPROVALS

Gained town planning approvals for 12 retail and mixed-use development projects and lodged two major mixed-use town planning applications

CLIMATE A-LIST

One of only three Australian companies included in CDP's Climate A-List – for the second consecutive year

A/A2
CREDIT RATINGS

Investment grade credit ratings reaffirmed from S&P Global (stable outlook) and Moody's Investors Service (outlook raised from negative to stable)

4.4
STARS

Ranked in top 10 organisations in NABERS Sustainable Portfolio Index with NABERS Energy rating of 4.4 stars

About this report

This Annual Report is a summary of Vicinity Centres' operations, activities and financial position as at 30 June 2021. In this report, references to 'Vicinity', 'Group', 'Company', 'we', 'us' and 'our' refer to Vicinity Centres unless otherwise stated.

References in this report to a 'year' and 'FY21' refer to the financial year ended 30 June 2021 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

This Annual Report discloses Vicinity's financial and non-financial performance for FY21 and has been prepared using elements of the International Integrated Reporting Council (IIRC) Integrated Reporting <IR> framework. More information, particularly latest Company announcements and detailed sustainability reporting, can be found on Vicinity's website.

Vicinity is committed to reducing the environmental footprint associated with the production of the Annual Report and printed copies are only posted to securityholders who have elected to receive a printed copy. This report is printed on environmentally responsible paper manufactured under IAO 14001 environmental standards.

The following symbols are used in this report to cross-refer to more information on a topic:

References additional information available on Vicinity's websites

References additional information within this Annual Report

Disclaimer

This report contains forward-looking statements, including statements, indications and guidance regarding future performance. The forward-looking statements are based on information available to Vicinity Centres as at the date of this report (18 August 2021). These forward-looking statements are not guarantees or predictions of future results or performance expressed or implied by the forward-looking statements and involve known and unknown risks, uncertainties, assumptions and other factors, many of which are beyond the control of Vicinity Centres. The actual results of Vicinity Centres may differ materially from those expressed or implied by these forward-looking statements, and you should not place undue reliance on such forward-looking statements. Except as required by law or regulation (including the ASX Listing Rules), we do not undertake to update these forward-looking statements.

CHAIRMAN'S REVIEW

Dear Securityholders,

On behalf of my fellow Board members, I am pleased to present Vicinity Centres' (Vicinity) Annual Report for the financial year ended 30 June 2021 (FY21).

While the pandemic continued to present significant challenges for Vicinity and the retail property sector more broadly, we observed resilient underlying trends in centre visitation, consumer spending and retailer appetite to enter into leasing deals.

During prolonged periods of lockdown, consumers increasingly turned to the internet for product research, or to transact. However, consumers maintained their strong preference for physical retail, with nine out of ten purchases[1] continuing to be made in-store throughout the year. Further, when restrictions eased, consumers were quick to return to their favourite retail centres with capacity and confidence to spend.

Similarly, states which have remained largely free of COVID-19, namely Western Australia, South Australia, Queensland and Tasmania, continued to enjoy near pre-COVID levels of centre visitation and higher retail sales. In fact outside of Victoria and CBDs, there was 6.1% growth in retail sales in 2H FY21 compared with 2H FY19 and visitation in 2H FY21 was at 92% of the same period in FY19.

While retailer confidence remains fragile, particularly in the SME category, leasing activity rebounded, with 1,257 lease deals competed in FY21, the majority of which were completed in 2H FY21. The momentum in leasing activity is expected to continue in FY22 as Vicinity remains focused on delivering best cash outcomes for securityholders today and in the future.

While we expect volatility in trading conditions to continue in the near-term, the confluence of continued outstanding operational execution and underlying resilience in retail sector trends, provides us with a cautiously optimistic outlook for the second half of FY22 and beyond.

Overall, Vicinity adapted to the challenges of FY21 and continues to deliver COVIDSafe workplaces and retail destinations for our staff and our communities across Australia.

Vicinity's FY21 financial results reflect the impact of the COVID-19 pandemic, reporting a statutory net loss of $258.0 million, impacted primarily by higher funds from operations (FFO), up 7.4% to $558.8 million, offset by a $642.7 million non-cash property valuation decrement.

Despite the challenging year, Vicinity's diligence on operational, financial and capital stewardship enabled us to reinstate Vicinity's distribution from December 2020. In total, Vicinity paid securityholders 10.0 cents per security for FY21 (including 2.5 cents attributable to a number of one-off items), representing 93.7% of adjusted funds from operations.

Vicinity maintained prudent capital management throughout the pandemic, ending FY21 with $2.4 billion of liquidity, gearing of 23.8%, and strong investment-grade credit ratings. During the year, Vicinity's credit ratings were affirmed A by Standard and Poor's with a 'stable' outlook, and A2 by Moody's Investors Service, who changed their outlook for Vicinity from 'negative' to 'stable' in June 2021.

As we look ahead, our strong balance sheet and credit metrics provide Vicinity the flexibility to pursue growth opportunities as the Australian economy emerges from the COVID-19 impact.

1. ABS *Retail Trade*, May 2021.

Queen Victoria Building, NSW

During FY21, we took the time to refine our strategy, which will see Vicinity adapt to the structural shifts occurring in the retail property sector, thereby transitioning the business to a forward-thinking real estate business. While we have a strong portfolio of shopping centres on a sizeable amount of land in prime locations, we also have significant assets, perhaps less acknowledged, in the form of our data and technology platform, partnerships with 7,000 retailers, one million customer database members, over 340 million customer visits in FY21, and $9 billion of external assets under management with 23 strategic partners. Most importantly, we also have a team of over 1,200 talented colleagues.

Our near-term focus is to adapt and leverage all of these assets, together with our innovation, mixed-use and funds management expertise, to deliver sustainable value growth in the rapidly evolving retail landscape.

Sustainability is fundamental to the long-term performance of our business. Underpinning our sustainability strategy are three pillars, including Community Significance, Low Carbon Smart Assets and Climate Resilience. Within these pillars are a number of important steps we have taken during FY21.

Vicinity became a formal supporter of the Task Force on Climate-related Financial Disclosure (TCFD). Our approach to managing climate change risks and opportunities uses the framework set out by the Financial Stability Board's TCFD Recommendations and is outlined in detail in the Sustainability section of this report.

We published our inaugural Modern Slavery Statement in March 2021, and enhanced our approach to identifying and addressing Modern Slavery issues in our supply chain. Of particular note, Vicinity became a participant of the United Nations Global Compact, furthering our public commitment to respecting and supporting human rights, labour practices, the environment and anti-corruption, in line with international standards.

Vicinity's performance in a number of investor sustainability surveys is testament to the importance we place on environmental, social and governance (ESG) issues and opportunities within our business. During the year, Vicinity was recognised in the top 3% of real estate companies globally within the Dow Jones Sustainability Index, ranked third in the Australian Retail Shopping Centre category in the Global Real Estate Sustainability Benchmark and ranked on CDP's[2] prestigious Climate A-List for the second consecutive year, being one of only three Australian companies.

FY22 has commenced with New South Wales being in the midst of a prolonged lockdown following the outbreak of the Delta variant of COVID-19 in June 2021. Our vigilant approach to providing COVIDSafe places for people to work and shop remains, and we will continue to support retail partners in categories hardest hit by the recent lockdown.

While much of the impact from the pandemic was beyond our control, we diligently and intensively worked to control our response to it and I, together with the Board, would like to acknowledge and thank the management team and all Vicinity staff for their resilience and unstinting efforts during a challenging year.

Additionally, I would like to thank my fellow Directors for their valuable contribution and support in FY21.

And finally, thank you to our securityholders and indeed all our stakeholders for your support of Vicinity.

Stay safe,

Trevor Gerber
Chairman

2. Formerly Carbon Disclosure Project.

CEO AND MANAGING DIRECTOR'S REVIEW

Dear Securityholders,

FY21 has been another extraordinary year for Vicinity, our retail partners and industry peers.

The financial year commenced with Victoria entering a protracted lockdown where non-essential retail was closed for nearly three months. Despite the challenges in Victoria, our centres in other states enjoyed a relatively COVID-normal year as consumers were quick to return to their favourite retail centres when permitted.

The slower return of office workers and day-trippers to CBD locations and the heavy reduction in international and interstate tourism meant our CBD centre recovery lagged the portfolio, especially in Melbourne and Sydney. Nevertheless, we are confident that city centres will return to their former vibrancy over the next couple of years.

Together with our retail property peers, Vicinity honoured its obligations imposed by the Federal Government's *Commercial Code of Conduct and Leasing Principles During COVID-19* (SME Code), which expired on 31 March 2021[1]. In many cases, our support extended beyond the SME Code's requirements and expiry.

Since the onset of the pandemic in March 2020, Vicinity has allocated an estimated $231 million of rental assistance, mostly in the form of waivers to both SME and other impacted retail partners.

The adverse impacts from COVID-19 are evidenced in our portfolio and financial results for FY21. Importantly though, while we have been navigating the short-term headwinds presented by the pandemic, we have continued to plan for the future and make decisions that aim to drive long-term sustainable growth.

In presenting our FY21 portfolio and financial performance, I am particularly delighted to share our strategy refinement with securityholders.

FY21 portfolio and financial performance

Portfolio performance

Owing to its diversity, Vicinity's retail asset portfolio demonstrated resilience during FY21. While our flagship centres (Chadstone, CBDs and DFOs) bore the brunt of the pandemic due to government directions to work from home and international and domestic travel

1. Vicinity notes the reintroduction of SME codes in Victoria and New South Wales on 28 July 2021 and 13 August 2021, respectively.

QueensPlaza, QLD

restrictions, our Neighbourhood and Sub Regional centres outperformed in terms of retail sales performance given their weighting to essential shopping.

Given the favourable macroeconomic backdrop, retail conditions improved throughout the year, although snap lockdowns across major Australian states in the second half of FY21 (2H FY21) temporarily slowed our recovery. Vicinity's total moving annual turnover (MAT) growth (excluding travel) improved to -4.2% (June 2020: -6.2%). For those areas less impacted by COVID-19 (outside Victoria and CBDs), we have seen a significant rebound with MAT growth of +7.5% over FY21.

Deal activity this year has been particularly strong, especially in 2H FY21. We completed 1,257 new leasing deals in FY21, compared to 824 in FY20 as we focused on maintaining occupancy and extending lease tenure.

Consequently, occupancy remained robust at 98.2%, and while leasing spreads were negative at -12.7%, we believe that maintaining high occupancy has delivered the best cash outcome for our securityholders.

We completed 1,257 new leasing deals in FY21, compared to 824 in FY20 as we focused on maintaining occupancy and extending lease tenure.

As conditions improved over the year, the amount of support required for our retailers reduced. In the September 2020 quarter, 20% of gross rental billings were waived. This reduced to 3% by the June 2021 quarter and, on average, 84% of gross rental billings were collected over FY21, representing 93% of gross rental billings net of waivers.

While some retailers continue to be COVID-impacted, we have also witnessed sophisticated retailers adopting a 'through the cycle' view and establishing a presence in CBD centres, and moving away from high street shopping strips. This resulted in Vicinity opening a number of new flagship stores for high-profile retailers in our premium centres this year, notably Emporium Melbourne and Sydney's Queen Victoria Building.

7.5%
SALES GROWTH

Outside Victoria and CBDs, we have seen a significant rebound with MAT growth of +7.5%

98.2%
OCCUPIED

Delivered on strategy to maintain high occupancy keeping centres vibrant and delivering best cash outcome for securityholders

CEO AND MANAGING DIRECTOR'S REVIEW CONTINUED

With our prudent approach to capital expenditure, the majority of development spend was put on hold. Instead, our development team focused on accelerating planning activities and approvals. I am pleased to report that we received 12 town planning approvals and a further two town planning applications were submitted. Many of these projects will be transformational for their communities and phased works on retail centre revitalisations and major complementary mixed-use additions will commence in the year ahead.

Financial performance

While our FY21 financial results demonstrate the adverse impact from the pandemic, the results also highlight the successful management of our income, capital and cash, as a result of being appropriately prudent and well capitalised. Our robust balance sheet enabled us to re-emerge from the pandemic with confidence and enhanced financial flexibility.

Vicinity's statutory net loss after tax was $258.0 million compared to a net loss of $1,801.0 million for FY20 and largely reflected substantially lower property valuations partially offset by 8.7% higher Net Property Income (NPI) in FY21, relative to FY20.

The $258.0 million net loss in FY21 comprised primarily of funds from operations (FFO)[1] of $558.8 million (up 7.4% compared to FY20), offset by a non-cash property valuation decrement of $642.7 million (compared to the $1,717.9 million net decrement in FY20).

On a per security basis, FY21 FFO was 12.28 cents, compared to 13.66 cents for FY20. FFO per security was diluted in FY21 following the successful equity raise in June 2020, which significantly strengthened Vicinity's balance sheet and enabled us to withstand the challenges of the pandemic whilst maintaining our investment-grade credit ratings. The dilutive impact was partly offset by 8.7% growth in NPI and lower interest costs.


Chadstone, VIC – Hotel and Office

1. For a reconciliation of FFO to statutory net profit, refer to Note 1(b) to the Financial Statements. FFO is a non-IFRS measure.

Distribution per security was 10.0 cents for FY21, reflecting a payout ratio of 93.7% of adjusted FFO (AFFO) compared to 7.7 cents in the prior year[2].

Looking ahead to FY22, the year has commenced with New South Wales remaining in a prolonged lockdown following the outbreak of the Delta variant of COVID-19 in June 2021. Vicinity is maintaining a watching brief on the situation and is therefore not presently in a position to provide earnings guidance for FY22, as it would not be reliable.

Vicinity's strategy refinement

Many of the structural shifts occurring in Australia's retail industry prior to the onset of COVID-19 accelerated during the pandemic. The rise of online shopping, retailer demands for premium assets and locations which facilitate omni-channel retailing, heightened regulatory risk and the need to invest in data, digital and technology solutions to stay ahead of the innovation curve are all trends that continue, but customers maintain a strong preference for shopping in person.

While Vicinity's vision of reimagining destinations of the future and creating places where people want to connect remains unchanged, the overarching strategy of how Vicinity will deliver this has expanded.

Vicinity will continue to focus on optimising its core retail portfolio to deliver sector-leading performance with our well-developed retailer, consumer and operations strategies. As part of our portfolio investment strategy we will continue to develop and invest in the Premium and DFO segments.

However, to create destinations of the future, Vicinity must transition to a forward-thinking real estate business where all of our assets and capabilities, derived from our core retail portfolio, are leveraged more effectively to deliver new income streams and greater value to securityholders. These assets and capabilities include our:

- Network of 59 retail centres with over 1.5 million square metres of identified new developable area.
- Over 340 million visits to our centres in FY21.
- Growing customer database of one million members.
- Partnerships with 7,000 retailers.
- Data and digital capabilities.
- 23 strategic partners representing approximately $9 billion in external assets under Vicinity's management.

By leveraging these assets more effectively, Vicinity expects to grow core retail property rental income and create new revenue streams in the following three areas:

1. Adjacent products and services utilising core assets to create new products and services.
2. Mixed-use developments bringing new users to our assets and new forms of rental income.
3. Third-party capital creating strategic partnerships with aligned capital partners and a funds management business to drive fee income.

While Vicinity is already seeing solid performance from adjacencies such as solar, media and car parking, the opportunity exists to pursue more products and services in the areas of logistics, data, automation, artificial intelligence and energy.

Vicinity's mixed-use development agenda is well established and will continue to be a key lever for growth. Similarly, Vicinity's existing funds management platform, that includes a network of 23 strategic partners, provides us with a solid foundation to substantially grow our third-party capital and assets under management.

Our expanded strategy will see us rigorously defend and stabilise the engine of our business, namely retail property ownership and management, while pursuing the transformational opportunities that come from our existing asset base.

Conclusion

FY21 was a challenging year for Vicinity and I am enormously proud of the team's efforts to deliver value wherever possible and preserve our existing core assets and business model. I would like to thank the Board of Directors, my Executive Committee and all the staff at Vicinity for their ongoing commitment to our Company and for meeting the challenges of FY21 whilst preparing for FY22 and beyond.

I would also like to thank our retailers and customers for their support and partnership as we worked through the challenges of the pandemic.

Grant Kelley
CEO and Managing Director

To create destinations of the future, Vicinity must transition to a forward-thinking real estate business where all of our assets and capabilities, derived from our core retail portfolio, are leveraged more effectively to deliver new income streams and greater value to securityholders.

2. FY21 distribution per security included a one-off component of 2.5 cents and for FY20, no distribution was paid for the six months to 30 June 2020.

OUR OPERATING AND FINANCIAL REVIEW

We are pleased to present our Operating and Financial Review (OFR) for the financial year ended 30 June 2021 (FY21). Our OFR outlines Vicinity's strategy, achievements, objectives and outlook. It also sets out the key risks and opportunities for our operations and business model.

Vicinity's operations

Vicinity is one of Australia's leading real estate businesses, with a portfolio comprised principally of shopping centres around Australia and primarily concentrated in the metropolitan areas of the major state capital cities. To undertake its operations, Vicinity draws on six key resources, which are referred to throughout this report (detailed below).

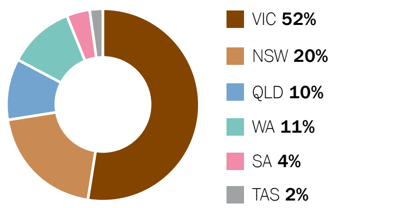
At 30 June 2021, we had 61 retail assets under management, with a combined value of $22.2 billion, which generated $14.9 billion in annual sales from 7,000 tenants across 2.5 million sqm of gross lettable area (GLA). Of the 61 retail assets, Vicinity has a direct ownership interest in 59 centres, taking the value of its Direct Portfolio to $13.5 billion.

Real estate	Direct portfolio of 59 shopping centres many of which are situated on large parcels of prime land in CBD and metropolitan locations
Capital	$7.0 billion of equity[a] from more than 28,000 securityholders and $5.7 billion of debt capacity from banks and capital markets
People	Over 1,200 professionals across our business with the national office at Chadstone in Melbourne and state offices in Sydney, Brisbane, Perth and Adelaide
Data and technology	Industry-leading data, digital and technology platform that enables customer growth and innovation
Community	We attracted more than 340 million customer visits in FY21, with a centre located within 30 minutes' drive of 74% of Australia's population
Environment	The natural resources utilised to undertake Vicinity's operations and develop its assets, and Vicinity's impact on the environment

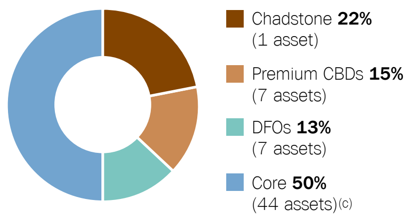
(a) As at 30 June 2021.

The OFR principally focuses on the performance of the Direct Portfolio, which generates the majority of Vicinity's total income.

Portfolio composition by state[b]



Portfolio composition by centre type[b]



(b) Expressed as percentage of Vicinity ownership value.
(c) Comprises Major Regional, Regional, Sub Regional and Neighbourhood centres.

FIND THE PERFECT FIT

Our customers love browsing through their favourite fashion brands in store. They can see the colours, feel the quality and get the perfect fit every time. Our retailers have the opportunity to offer excellent customer service and ensure a consistent and memorable experience.

Strategy and business prospects

Our vision and strategy at a glance

Vicinity's vision is to reimagine destinations of the future, creating places where people love to connect.

Our strategy of creating destinations of the future is enabled by a Direct Portfolio of high-quality assets that received more than 340 million consumer visits to our 7,000 tenants in FY21.

Our destinations play an essential role in their communities, providing a wide range of non-discretionary and discretionary retail, dining, leisure, entertainment and services to deliver engaging experiences for our consumers.

We own key assets located in prime CBD and metropolitan areas, with many close to major transport links and on significant land parcels. A number of these assets have the potential to develop additional mixed-use property on site.

In line with metropolitan planning strategies, developing mixed-use destinations will help to create communities of the future where the many facets of life, including work, shopping, education, health and leisure, are likely to be undertaken closer to home or in the same precinct. Mixed-use development at our retail assets is synergistic, with the existing retail offer adding significant amenity to workers, residents and visitors at newly introduced uses, who in turn reinforce retail centre performance.

Our sustainability objectives are integrated into everything we do. They guide how we invest in our communities, help build a climate-resilient portfolio and prepare for a low-carbon economy.

Leveraging third party capital enables us to efficiently execute our strategy and to use our quality asset and funds management platform to generate fee streams while delivering on the mandates of our like-minded partners.

Sustainability is fundamental to the long-term performance of our business. It guides how we invest in our communities, helps build a climate-resilient portfolio and prepares for a low-carbon economy as we aim to create sustainable destinations and shape better communities.

The success of our strategy execution is underpinned by a team of over 1,200 professionals, our industry-leading data and technology platform and our robust approach to governance and risk management.


The Glen, VIC

Our performance and priorities

While the COVID-19 pandemic had a significant impact on our business, the fundamentals of our strategy remained unchanged. During FY21, we continued to manage the business for long-term, sustainable growth whilst adapting to the challenges posed by the pandemic.

During the year, Vicinity mobilised its resources to ensure:

- Our centres and corporate offices were COVIDSafe.
- Our consumers could continue to purchase essential goods and services during periods of lockdown.
- Our capital resources were preserved and our balance sheet remained strong.
- Our development efforts were focused on accelerating planning approvals to enable projects to commence once conditions are supportive.
- Our people remained safe and able to work flexibly.
- Our data and technology capabilities were pivoted towards leveraging digital and data assets to drive productivity and enhance safety.
- Our focus on sustainability remained at the forefront of our business activities.

The following section outlines Vicinity's achievements in respect to its strategy during FY21 and our future priorities.

Our business and strategy
Sustainability.vicinity.com.au

Our achievements and priorities

This section outlines Vicinity's historical performance, achievements for FY21 and focus areas for FY22.

Real estate

Key performance metrics

	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17
Number of retail assets	**59**	60	62	74	74
Occupancy rate (%)	**98.2**	98.6	99.5	99.7	99.5
Total moving annual turnover (MAT) ($b)	**14.2**	15.0	16.5	16.9	16.2
New leases	**1,257**	824	1,308	1,222	1,276
Specialty MAT/sqm ($)[(a)]	**n.r.**	9,770	11,083	10,133	9,429
Occupancy cost (%)	**n.r.**	n.r.	15.0	14.7	14.6
Weighted average capitalisation rate (%)	**5.49**	5.47	5.30	5.36	5.61
Net promoter score	**45**	31	33	39	n.r.

FY21 achievements and future priorities

FY21 achievements

- Finalised over 6,700 COVID-19 related short-term lease variations
- Maintained occupancy at more than 98%
- Completed 1,257 leasing deals, with strong activity in 2H FY21
- Divested Milton Village, Queensland at a premium to book value
- Three residential towers completed December 2020 by third party atop The Glen
- Ellenbrook Central Kmart expansion completed July 2020
- Construction of Chadstone car park expansion commenced in February 2021
- Accelerated plans for major retail and mixed-use development projects at Bankstown Central, Box Hill Central, Chadstone, Galleria and Victoria Gardens
- Achieved development application (DA) approvals at Chadstone, Box Hill Central, Bankstown Central, Bayside and Emporium Melbourne
- Portfolio deal completed with Wesfarmers. In conjunction with a prior Woolworths deal, this has led to the commencement of multiple centre repositioning projects in the portfolio
- Net promoter score of +45 in 2021, up 14 points, despite COVID-19 challenges

Future priorities

- Work with COVID-impacted retailers
- Maintain strong occupancy levels
- At Chadstone, complete car park expansion and work towards commencement of other town planning approved projects
- Advance retail revitalisation at Box Hill Central and Bankstown Central ahead of future mixed-use plans
- Target tenant pre-commitments for office developments
- Progress planning and approvals on other retail and mixed-use development projects

(a) Comparable. Excludes divestments and development-impacted centres in accordance with Shopping Centre Council of Australia (SCCA) guidelines.

Year in review – page 21

Notes to key performance metrics tables on pages 13 to 17:

- Data are as at 30 June, or for the 12 months to 30 June, as appropriate.
- n.r. is Not Reported, for 30-Jun-21 and 30-Jun-20 data deemed non comparable for reporting due to COVID-19 impact.
- Prior years are as per prior Annual Report disclosures, unless amended.

Capital

Key performance metrics

	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17
Statutory net (loss)/profit after tax ($m)	**(258.0)**	(1,801.0)	346.1	1,218.7	1,583.6
Funds from operations per security (cents)[(a)]	**12.3**	13.7	18.0	18.2	18.0
Distribution per security (cents)	**10.0**	7.7	15.9	16.3	17.3
Total return (%)[(b)]	**(2.6)**	(18.9)	3.7	11.1	15.5
Total securityholder return (%)[(c)]	**15.0**	(39.9)	0.6	7.0	(17.7)
Total assets ($b)	**14.3**	15.2	17.0	17.5	16.7
Net tangible assets per security (NTA) ($)	**2.13**	2.29	2.92	2.97	2.82
Net asset value per security ($)	**2.17**	2.33	3.07	3.13	2.97
Gearing (%)[(d)]	**23.8**	25.5	27.1	26.4	24.7
Weighted average cost of debt (%)[(e)]	**3.6**	3.6	4.5	4.3	4.2
Debt duration (years)	**4.4[(f)]**	5.2	4.1	4.4	5.3
Proportion of debt hedged (%)	**96**	89	89	86	90

FY21 achievements and future priorities

FY21 achievements

- Maintained strong balance sheet, including gearing of 23.8% and $2.4 billion of liquidity
- Preserved capital by deferral of non-essential capital expenditure
- Repriced and/or extended $800 million of existing bank facilities
- Repaid $150 million of A$ Medium Term Notes, the last of all secured debt
- Investment-grade credit ratings of A/stable from S&P and A2 from Moody's affirmed with outlook changed from 'negative' to 'stable'

Future priorities

- Optimise liquidity levels and cost of debt
- Appropriately manage debt diversity and market risk
- Manage expiry profile over the medium to long term; no debt expiries until FY23
- Extend weighted average maturity of financing; diversify source of debt where possible
- Review capital structure to facilitate growth opportunities in a post-COVID environment

(a) Refer to the financial performance section on page 22 for the definition of funds from operations (FFO) which is a non-IFRS measure.
(b) Calculated as (change in NTA during the year + distributions declared)/opening NTA.
(c) Calculated as the combination of security price movement from the opening security price, plus distributions (assumed to be reinvested) over the year, expressed as a percentage.
(d) Calculated as drawn debt, net of cash and cash equivalents, divided by total tangible assets excluding cash and cash equivalents, right of use assets, net investment leases, investment property leaseholds and derivative financial assets.
(e) Average over the year. Inclusive of margin, drawn line fees and drawn establishment fees.
(f) Consistent with prior years this is based on debt limits. Debt duration increases to 5.5 years based on drawn debt.

Chadstone, VIC

People

Key performance metrics

	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17
Employee engagement score (%)	**61**	64	68	73	71
Women in leadership (%)[a]	**46**	45	37	35	36

FY21 achievements and future priorities

FY21 achievements

- Embedded 'people first' strategy to support staff wellbeing
- Delivered range of dedicated mental health and wellbeing programs
- Introduced a hybrid working model facilitating all staff working flexibly
- High 'Company confidence' scores from our team members of 87% and 85% in relation to our response to COVID-19 in our July 2020 and October 2020 COVID-19 Pulse check surveys
- Launched '*The Vicinity Way*' change program intended to enhance our operating model, ways of working and to drive increased performance and commercial outcomes

Future priorities

- Define and enhance organisational and functional capability to support growth of core business and adjacencies
- Embed '*The Vicinity Way*' change program to support high-performance culture; includes upskilling Senior Leaders on complex thinking, change management and organisational effectiveness
- Focus on diversity, inclusion and belonging as key enablers of business performance
- Deliver a strategic workforce plan to augment existing organisational capability and/or recruit new capability required to deliver the growth strategy

(a) Includes female 'other executives/general managers', 'senior managers' and 'other managers' as aligned to Workplace Gender Equality Agency (WGEA) categories.

Data and technology

Key performance metrics

	30-Jun-21	30-Jun-20	30-Jun-19
Number of centres	**59**	60	62
Database customers (000s)[b]	**953**	911	844
Centre visitation (m)	**344**	413	c.450

FY21 achievements and future priorities

FY21 achievements

- Established separate Information and Innovation ('I&I') function dedicated to developing Vicinity's business and assets with a technology, digital and data lens
- Pivoted I&I team to drive productivity and increase safety using data and digital assets
- Launched fully digital contactless click-and-collect service, Parcel Concierge, at 15 centres during lockdown
- Launched a mobile application providing seven-day foot traffic forecasts by the hour, helping shoppers better plan their visits
- Leveraged WiFi network enabling social distance and centre density monitoring via heat-mapping
- Developed and launched bespoke proprietary leasing optimisation tool to optimise leasing mix of centres, drive efficiency, enable data-led decision-making and increase conversion; strong adoption by leasing executives
- Built advanced data science analytics product (Retailer Analytics); currently undergoing trial with select retailers
- Enabled seamless transition of staff to work from home
- Delivered upgrade to managed threat detection and response (MTDR) capability, and increased security controls to support remote working
- Piloted drone delivery program at Grand Plaza, a world first for shopping centres

Future priorities

- Invested with Taronga Ventures in July 2021, a managed fund that sources best-in-class real estate 'prop-tech' globally
- Leverage the >340 million customers in FY21 to increase revenue
- Develop Vicinity's enterprise database to create new products and services for consumers and retailers
- Implement initiatives to assist retailers with omni-channel retailing and eCommerce
- Leverage data and digital assets and insights to:
  - create new revenue from adjacent opportunities
  - enhance centre operations
  - drive retail category performance
  - identify retail and mixed-use development opportunities

(b) Marketing subscribers with confirmed email address.

Community

Key performance metrics					
	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17
Community investment ($m)[(a)]	**3.2**	5.6	3.1	4.3	3.7

FY21 achievements and future priorities

FY21 achievements

- Invested $3.2 million into our communities
- Published inaugural Modern Slavery Statement and advanced management of Modern Slavery risks within Vicinity's supply chain
- Became a participant to the United Nations Global Compact (UNGC)
- Established corporate community partnership with Australian Red Cross
- Established COVIDSafe asset plans in place across all centres
- Became member of Supply Nation, furthering our commitments to Indigenous businesses
- $6.2 million spent with social and indigenous enterprises over a four-year period to June 2021, surpassing Vicinity's cumulative target of $4.5 million
- Continued to ensure safe community access to essential goods and services by keeping centres open during lockdowns
- Facilitated eight temporary COVID-19 testing clinics at our centres

Future priorities

- Maintain heightened health and safety protocols across our portfolio
- Implement programs to generate strong social value for our communities
- Complete Innovate Reconciliation Action Plan (RAP) deliverables and work with Reconciliation Australia on our next RAP
- Continue implementing the Responsible Procurement Action Plan and publish second Modern Slavery Statement
- Support our retailers through COVID-19 recovery phase

(a) Calculated using the Business for Societal Impact (B4SI) framework and includes foregone revenue and fund-raising activities.

Rockingham Centre, WA – NAIDOC week

Environment

Key performance metrics	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17
Green Star – Performance portfolio rating (Stars)[a]	**4**	4	4	3	3
NABERS Energy rating (Stars)[b]	**4.4**	3.9	3.5	3.6	3.7
NABERS Water rating (Stars)[b]	**3.4**	3.4	3.1	3.1	3.2
Energy intensity (MJ)[a]	**251**	270	298	300	305
Carbon intensity (kg CO_2-e)[a]	**53.3**	58.5	67.9	69.1	70.9
Waste diversion rate (%)[a]	**52**	49	45	43	36

FY21 achievements and future priorities

FY21 achievements

- 5% reduction in carbon intensity; Vicinity on track to achieve our Net Zero carbon emissions target by 2030[c]
- Became formal supporter of the Task Force for Climate-related Financial Disclosure (TCFD)
- Recycled 52% of our waste across Vicinity-managed shopping centres
- Portfolio NABERS Energy rating of 4.4 stars[b], up from 3.9 stars as at December 2019
- Solar panels installed at four shopping centres, with installations now across 19 Vicinity assets, at a total of 30.6MW capacity
- One of only three companies in Australia to be included in CDP's[d] Climate A-List
- Ranked seventh amongst our real estate peers globally by DJSI[e]
- Ranked third in the Australian Retail Shopping Centre category by GRESB[f]

Future priorities

- Refresh our sustainability strategy
- Achieve an annual 3% reduction for energy and carbon intensity across the portfolio
- Increase diversion from landfill to 54% across the portfolio
- Focus on climate resilience of our centres through the progression of our climate scenario analysis of physical and transition risks
- Install further 2.6MW capacity at three centres, to take total solar installed to 33.2MW capacity across 22 centres

(a) Managed portfolio.
(b) NABERS Sustainable Portfolio Index 2021, based on Vicinity's ownership interest and 2021 rating as at December 2020 with 91% portfolio coverage.
(c) For our wholly-owned retail assets. Consistent with GHG Protocol, this applies to common mall areas.
(d) Formerly Carbon Disclosure Project.
(e) Dow Jones Sustainability Index.
(f) Global Real Estate Sustainability Benchmark, which includes listed and unlisted funds.

Year in review – page 21

Financial review – page 21

Our people – page 40

Sustainability – page 32

Our strategy
Sustainability.vicinity.com.au

Future perspectives and business prospects

Future perspectives; FY22

In respect to the year ahead, Vicinity provides the following future perspectives:

- FY21 FFO benefitted from several one-off items, including:
  - Reversal of FY20 provisions and waivers
  - Elevated surrender payments
  - Temporarily reduced operating costs
  - Reduced interest costs driven by the swap restructure in FY20
- Rebound in consumer visitation and spending following periods of lockdown and the prospect of a sustained reopening of the Australian economy in 2H FY22, underpins cautiously optimistic outlook
- Vicinity will continue to support retailers in categories and locations most affected by pandemic
- Vicinity plans to accelerate investment in organisational talent to drive future growth; net corporate overheads likely to be higher in FY22, and
- Vicinity expects to resume business-as-usual capital spend, supplemented by some catch-up investment following two consecutive years of capital preservation; maintenance capital expenditure expected to be higher than pre-COVID levels in FY22.

Strategy refinement

Many of the structural shifts occurring in Australia's retail industry prior to the onset of COVID-19 accelerated during the pandemic. The rise of online shopping, retailer demands for premium assets and locations that facilitate omni-channel retailing, heightened regulatory risk and the need to invest in data, digital and technology solutions to stay ahead of the innovation curve are all trends that continue, but customers maintain a strong preference for shopping in person.

While Vicinity's vision of reimagining destinations of the future and creating places where people want to connect remains unchanged, the overarching strategy of how Vicinity will deliver this has expanded.

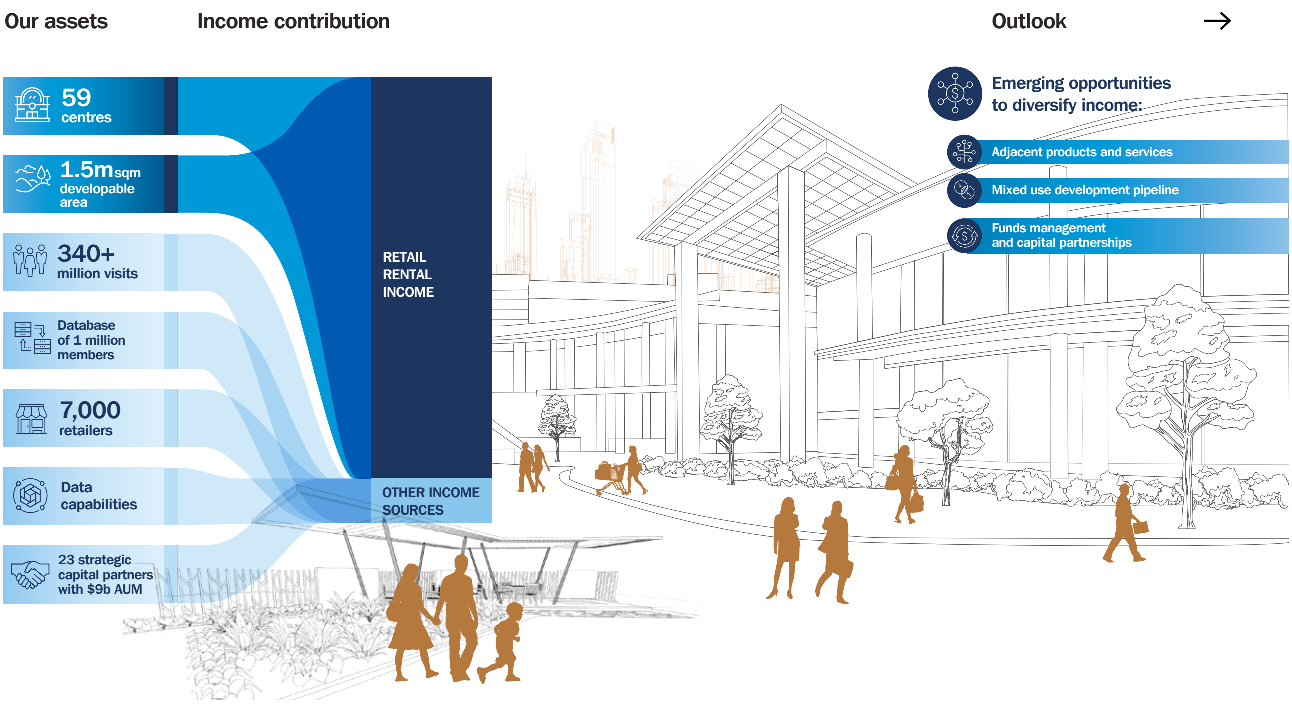
Vicinity will continue to optimise and grow its core retail portfolio to deliver enhanced performance with our well-developed retailer, consumer and operations strategies. As part of our portfolio investment strategy, we will continue to invest in and develop our Premium and DFO segments.

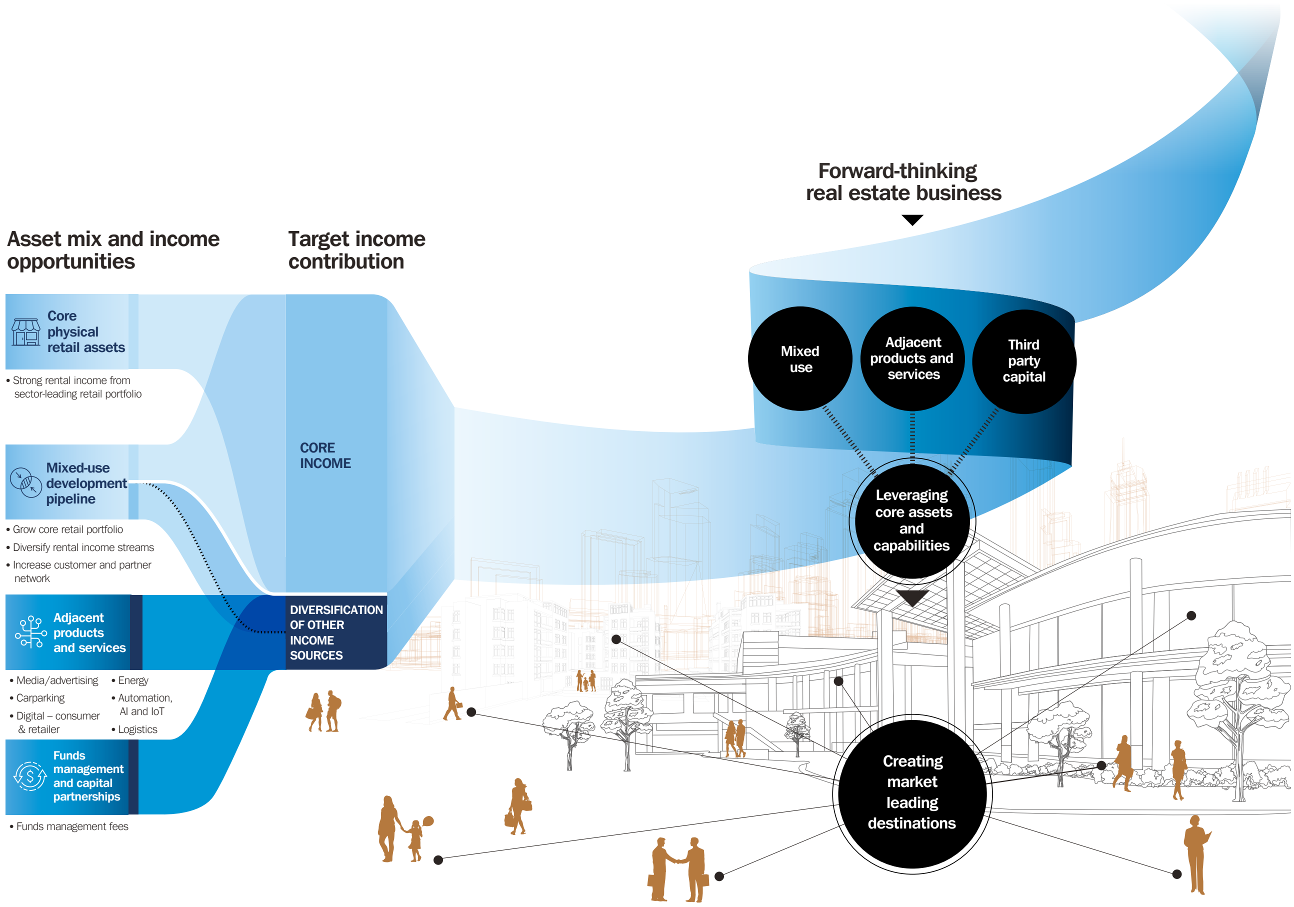
However, to create destinations of the future, Vicinity must transition to a forward-thinking real estate business where all of Vicinity's assets and capabilities, derived from its core retail portfolio, are leveraged more effectively to deliver new income streams and greater value for securityholders.

These assets and capabilities include:

- Network of 59 retail centres with over 1.5 million square metres of identified new developable area.
- Over 340 million visits to our centres in FY21.
- Growing customer database of one million members.
- Partnerships with 7,000 retailers.
- Leading data and digital capabilities.
- 23 strategic partners representing approximately $9 billion in external assets under management.

Our current position





By leveraging these assets more effectively, Vicinity expects to grow core retail property rental income and create new revenue streams in the following three areas:

1. Adjacent products and services utilising core assets to create new products and services.
2. Mixed-use developments bringing new users to our retail assets and new forms of rental income.
3. Third-party capital creating strategic partnerships with aligned capital partners and a funds management business to drive fee income.

While Vicinity is already seeing solid performance from adjacencies such as solar, media and car parking, the opportunity exists to pursue more products and services in the areas of logistics, data, automation, artificial intelligence and energy.

Vicinity's mixed-use development agenda is well established and will continue to be a key lever for growth. Similarly, Vicinity's existing funds management platform, which includes a network of 23 strategic partners, provides us with a solid foundation to substantially grow our third-party capital and assets under management.

In summary, Vicinity will focus on stabilising and growing its core business, namely retail property ownership and management, whilst pursuing the transformational opportunities that arise from its existing asset base and organisational capabilities.

While Vicinity is already seeing solid performance from adjacencies such as solar, media and car parking, the opportunity exists to pursue more products and services in the areas of logistics, data, automation, artificial intelligence and energy.

GRAB THE ESSENTIALS

With a broad selection of everyday essentials on offer, our customers can find what they need. From groceries to home office supplies, our centres are the quick and easy place to stock up.

Financial review

Year in review

The impact of the COVID-19 pandemic continues to be felt globally and Australia remains susceptible to snap lockdowns and business disruptions.

Of note, Melbourne entered a Stage 4 lockdown on 2 August 2020, which lasted 12 weeks. Melbourne residents were largely confined to their homes and, on average, 83% of Vicinity's Victorian stores were closed by government mandate. There were also a number of localised COVID-19 outbreaks across the state capitals throughout the year which resulted in 'snap' lockdowns, where heightened COVID-19 restrictions were reintroduced for short periods.

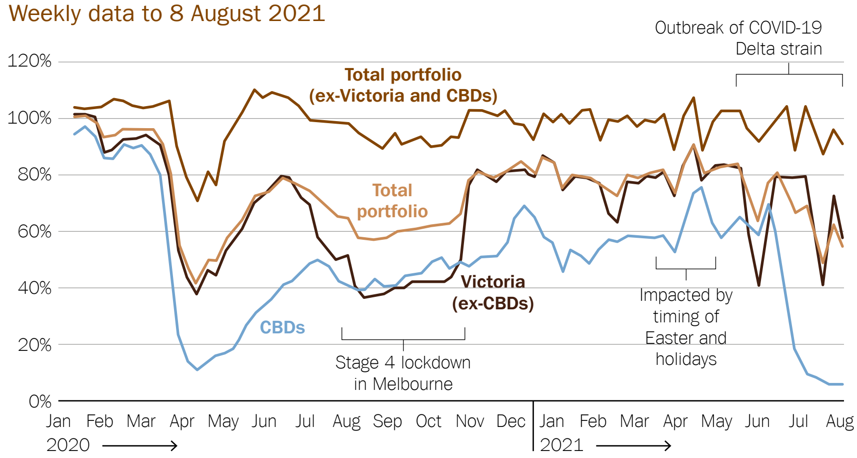
Outside of CBDs, which continue to be impacted by the confluence of the slow return of office workers and day-trippers and limited tourism, customers have been quick to return to shopping centres when COVID-19 restrictions ease, at levels similar to those prior to the pandemic.

Over the course of FY21, the disruptions from the pandemic shortened; however, the outbreak of the COVID-19 Delta variant from May 2021 resulted in a rapid increase in COVID-19 cases across Australia, notably in Sydney and Melbourne into FY22.

Vicinity continued to play its role in supporting the Australian Shopping Centre industry during FY21, assisting our SME retailers in accordance with the Federal Government's *Commercial Code of Conduct and Leasing Principles During COVID-19* (SME Code). We also negotiated with affected non-SME tenants based on their individual circumstances. Vicinity completed over 6,700 short-term COVID-19 lease variations allocating $139 million of support to retailers during FY21, principally in the form of waivers, the majority of which was provided in the first half. This is in addition to the $93 million allocated in the prior year. While the SME Code expired nationally by March 2021[1], Vicinity continues to support COVID-impacted retailers particularly those in CBD locations or challenged SME retailers.

Weekly centre visitation compared to same week pre-COVID-19[(a)]

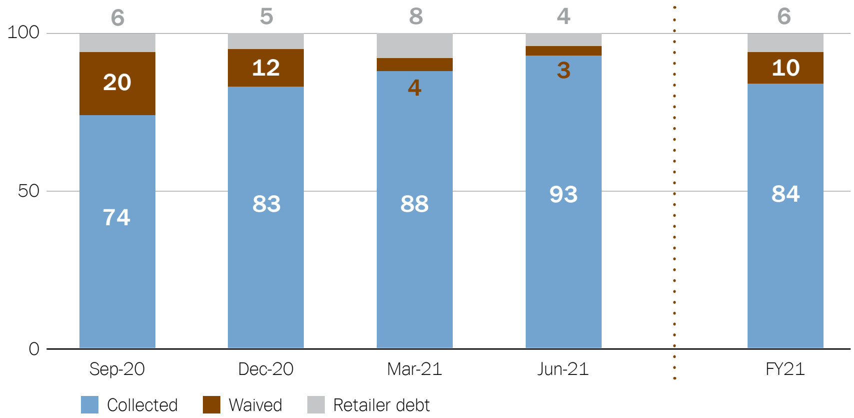
Weekly data to 8 August 2021



(a) Excludes divestments and development-impacted centres in accordance with SCCA guidelines.

Cash collections

Proportion of gross rental billings, quarterly (%)



Despite the challenges of FY21, Vicinity executed strongly on its leasing strategy. Over 1,257 new leases were completed during the year with accelerated deal activity in the second half, up materially from 824 in FY20, and solid occupancy was maintained at 98.2% (Dec-20: 98.0%, Jun-21: 98.6%). This contributed to average leasing spreads of -12.7% over FY21 as compared to -4.0% last year.

While leasing spreads remained negative, we believe that our focus on occupancy has delivered the best cash outcome for our securityholders. Additionally, our standard lease terms have largely been maintained, with over 75% of new leases negotiated with fixed 5% annual increases.

As conditions improved over the year, the amount of support required for our retailers reduced. In the September 2020 quarter, 20% of gross rental billings were waived. This reduced to 3% by the June 2021 quarter and, on average, 84% of gross rental billings were collected over FY21, representing 93% of gross rental billings net of waivers.

Our leasing achievements and rent collections were supported by the recovery in retail sales, which continued to improve quarter on quarter in FY21. While centre visitation is yet to reach pre-pandemic levels at the portfolio level, shopping became more purposeful in FY21. This means our customers visited less frequently with shorter visit duration, but this was offset by higher spend per visit.

1. Vicinity notes the reintroduction of SME codes in Victoria and New South Wales on 28 July 2021 and 13 August 2021, respectively.

Portfolio sales summary[(a)]

FY21 sales growth compared to 2019 (%)	1Q	2Q	3Q	4Q
Specialty and mini majors	(46.9)	(15.0)	(5.8)	(5.4)
Total portfolio	(29.3)	(10.0)	(3.5)	(3.3)
Total portfolio ex-CBDs	(25.3)	(7.5)	(1.2)	(0.3)
Total portfolio ex-VIC and CBDs	17.0	7.1	7.3	11.9

(a) Excludes divestments and development-impacted centres in accordance with SCCA guidelines.

During the year, Vicinity reported the completion of 550 apartments atop of The Glen, Victoria, by a third-party developer. The new residents have significantly boosted visitation to the centre in a year of heightened 'shopping local', and is a prime example of how mixed-use additions to our shopping centre sites not only realises additional value from the land, but also enhances the retail precinct.

Vicinity's development construction was limited in FY21 by a continued prudence to capital expenditure. We did, however, take the opportunity to accelerate project planning and approvals in order to be prepared for the next cycle. During the year, Vicinity received town planning approvals for 12 projects and lodged an additional two town planning applications.

Development works are likely to regain momentum from FY22 with higher priority projects flagged for Bankstown Central, Bayside, Box Hill Central, Chadstone, Chatswood Chase Sydney and Galleria.

Financial performance

The table below contains a summary of Funds From Operations (FFO), Adjusted Funds From Operations (AFFO), other related metrics and a summary reconciliation of net profit after tax to FFO.

FFO and AFFO are two key measures Vicinity uses to measures its operating performance. They are widely accepted measures of real estate operating performance. Statutory net profit is adjusted for fair value movements and certain unrealised and non-cash items to calculate FFO. FFO is further adjusted for maintenance capital expenditure and static tenant leasing costs incurred during the period to calculate AFFO. FFO and AFFO are determined with reference to the guidelines published by the Property Council of Australia (PCA) and are non-IFRS measures.

	1H21	2H21	FY21	FY20
Net property income	344.4	399.0	**743.4**	683.7
External fees	21.3	24.4	**45.7**	54.7
Total segment income	365.7	423.4	**789.1**	738.4
Net corporate overheads	(38.2)	(48.2)	**(86.4)**	(42.2)
Net interest expense	(60.4)	(83.5)	**(143.9)**	(175.9)
Funds from operations	267.1	291.7	**558.8**	520.3
Adjusted for:				
Property revaluation decrement	(512.1)	(130.6)	**(642.7)**	(1,717.9)
Impairment of intangible assets	-	-	**-**	(427.0)
Other items	(149.1)	(25.0)	**(174.1)**	(176.4)
Statutory net (loss)/profit after tax	(394.1)	136.1	**(258.0)**	(1,801.0)
Weighted average number of securities			**4,551.5**	3,807.8
FFO per security (cents per security)	5.87	6.25	**12.28**	13.66
AFFO per security (cents per security)	5.45	5.22	**10.67**	10.96
Distribution per security (DPS) (cents per security)	3.40	6.60	**10.00**	7.70
Total distributions declared ($m)	154.8	300.4	**455.2**	289.3
AFFO payout ratio (total distributions declared $m/AFFO $m) (%)	62.4	126.5	**93.7**	69.3
FFO payout ratio (total distributions declared $m/FFO $m) (%)	57.9	103.0	**81.5**	55.6

FOCUS ON HEALTH

In our fast-paced world, looking after our health is more important than ever. Our customers can access our centres for the products and services they need to keep them feeling good. From state of the art gyms to health and supplement stores and the latest fitness apparel, our centres are community health and wellness hubs.

OUR OPERATING AND FINANCIAL REVIEW CONTINUED

FY21 was an extraordinary year where Vicinity continued to manage the unprecedented challenges of the COVID-19 pandemic. Despite this, our proactive management of income, capital and cash enabled Vicinity to preserve its capital strength and demonstrate its operational resilience throughout the year.

FFO per security of 12.28 cents represented a 10.1% decrease relative to FY20, reflecting the dilution impact of the $1.2 billion equity raising in June 2020. FFO increased 7.4% in FY21 reflecting:

- **Increase in NPI of $59.7 million.** Largely driven by the reversal of allowances for estimated rental waivers and expected credit losses of $75.4 million from FY20, following an improvement in cash receipt trends as trading conditions began to stabilise in the second half of FY21 (2H FY21). Other contributors included a reduction in carpark income, notably at CBD assets, and lower occupancy rates, partially offset by temporarily lower property expenditure and higher surrender fees received.
- **External fees reduced by $9.0 million.** The deliberate reduction in development activity in FY21 to preserve capital resulted in a decline in external fees.
- **Net corporate overheads increased $44.2 million.** Net corporate overheads returned to more normalised levels in FY21 after a range of temporary cost-reduction initiatives in FY20, including no FY20 STI paid, temporary employee stand-downs, reduction in Board and Executive Committee payments for three months to 30 June 2020.
- **Net interest expense down $32.0 million,** largely driven by a lower average drawn debt balance following the equity placement in June 2020 and the net benefit from the interest rate swap reset in FY20.

The statutory net loss of $258.0 million in FY21 represented an improvement on FY20 (net loss of $1,801.0 million). In addition to the items impacting the favourable FFO result discussed above, the improved statutory net loss in FY21 was largely driven by the lower non-cash property decrement of $642.7 million (FY20: $1,717.9 million).

Segment information – page 89

Northland, VIC

Financial position

The table below shows a summarised balance sheet.

As at	30-Jun-21 $m	30-Jun-20 $m
Cash and cash equivalents	**47.2**	227.4
Investment properties	**13,294.3**	13,801.4
Equity accounted investments	**479.4**	527.6
Intangible assets	**164.2**	164.2
Other assets	**312.7**	518.8
Total assets	**14,297.8**	15,239.4
Borrowings	**3,281.9**	3,929.8
Other liabilities	**1,134.6**	750.0
Total liabilities	**4,416.5**	4,679.8
Net assets	**9,881.3**	10,559.6
Net tangible assets per security (NTA) ($)	**2.13**	2.29
Net asset value per security (NAV) ($)	**2.17**	2.33
Gearing (%)	**23.8**	25.5


Roselands, NSW

Key items that have impacted the balance sheet during FY21 include:

- Decrease in investment properties and equity accounted investments of $555.3 million, primarily due to the $642.7 million non-cash revaluation decrement recorded on investment properties. The lower valuations were largely driven by increases to land tax and stamp duty on Victorian assets taking effect in FY22, the continued impact of COVID-19 on the recovery of CBD centres, softening market rents notably across Major Regional centres, offset by the resilience of Neighbourhood centres and DFOs. An adjustment was also made to the carrying value of NSW assets to reflect the estimated impact of higher COVID-19 cases in June 2021. Equity-accounted investments decreased $48.2m due to distributions and Vicinity's share of net loss for the period. Refer to Note 4 and Note 5 of the Financial Report for further details on asset valuations and equity-accounted investments.
- Decrease in other assets of $206.1 million or 39.7%. Movement largely driven by reduction in the mark-to-market values of derivatives in line with a strengthened Australian dollar. Other assets also included trade receivables, which decreased by $64 million as retail trading conditions began to stabilise in 2H FY21.
- Decrease in borrowings of $647.9 million or 16.5%. Net repayments were made with proceeds from maturing term deposits, operational cash flows, partly offset by capital expenditure. Following repayment of $150 million of remaining secured AUD Medium Term Notes, Vicinity has no bank debt payable in FY22.
- Increase in other liabilities of $384.6 million or 51.3% was largely driven by an increase in distribution payable of $300.4 million for the six months to June 2021. In the prior year, no distribution was paid in the second half due to the impacts of COVID-19.

Balance Sheet – page 83

The Galeries, NSW

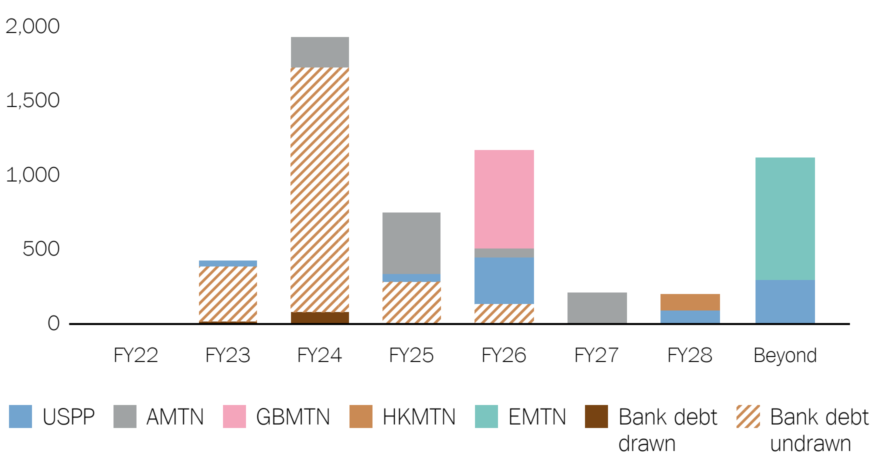
Capital management

Vicinity takes a proactive approach to debt capital management and remains committed to maintaining investment-grade credit ratings. Vicinity entered FY21 with a robust balance sheet, which ensured the business was adequately capitalised to navigate the financial and operational challenges presented by COVID-19.

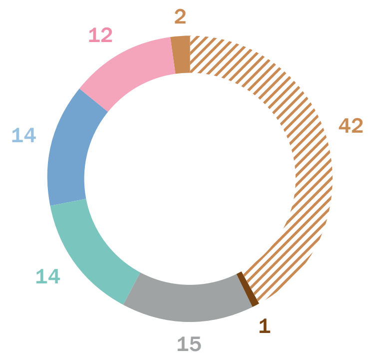
Vicinity continued to prioritise the preservation of capital in FY21, with the deferral of non-essential capital expenditure and reduction in interest costs largely driven by a lower average drawn debt balance and the net benefit from the interest rate swap reset in FY20. Following the repayment of legacy secured AUD Medium Term Notes, gearing at 30 June 2021 was reduced to 23.8% (from 25.5% at 30 June 2020) and was below the target range of 25% to 35%.

Moody's and Standard and Poor's affirmed Vicinity's A2 and A credit ratings respectively, with Moody's revising their outlook from 'negative' to 'stable', while Standard and Poor's retained their 'stable' outlook.

Debt maturity profile ($m)[(a)]



Sources of debt (%)[(a)]



(a) Based on facility limits.

Our management of risk

Identifying and managing risks and opportunities is essential in supporting the achievement of Vicinity's strategy and objectives. Vicinity adopts a structured and comprehensive approach to managing risk to help provide benefits to its stakeholders, including securityholders, team members, consumers, retailers and the communities in which Vicinity operates.

Vicinity's risk management approach facilitates the identification, assessment and management of risks to its operations and strategy, ensuring a clear understanding of risks and enabling informed decision-making in line with the business strategy and risk appetite.

The table below outlines the key risks and opportunities that may affect Vicinity's ability to create value over the short, medium and long term, their potential impacts and how Vicinity is managing them.

As noted previously in the Operating and Financial Review, COVID-19 has had a significant impact on Vicinity's operating and financial performance. Vicinity's risk profile will continue to evolve as its business model adjusts to the longer-term impacts of COVID-19 on the global and domestic economy and structural changes in the industry.

Strategy and business prospects – page 12

Year in review – page 21

Risks and opportunities and the potential impact on value creation	How Vicinity manages the risks and opportunities	Associated resources
Economic conditions and rapidly evolving markets Vicinity's financial performance depends heavily on rental income generated from its property assets, which is closely linked to customer foot traffic and expenditure in its centres. Adverse economic conditions, a subdued retail market, structural changes in the industry including increased online retail penetration, changing customer preferences and disruptive innovations (including as a result of COVID-19) may restrict growth opportunities and impact Vicinity's ability to compete appropriately without significant changes to its strategy and/or business model. Measures implemented by authorities to combat COVID-19 have impacted and will continue to impact the operating and financial performance of Vicinity. COVID-19 has impacted retailer viability, vacancy rates, rental growth, asset values, profitability, and resulted in reduced patronage at shopping centres, lower retail activity and sales, particularly in centres weighted towards discretionary spend or in CBD locations.	• Vicinity has a clear strategy to transition to a forward-thinking real estate business that serves multiple customer segments and leverage its physical retail assets to grow the business through adjacent products and services, retail and mixed-use development and third-party capital. • Vicinity's intensive asset management approach is focused on creating compelling consumer experiences, improving portfolio quality, actively re-weighting the tenant mix to reflect changing consumer preferences, in line with each centre's Vision, Strategy and Action Plan and tightly managing operational costs. This includes introducing non-retail uses and new retail concepts which aim to drive greater consumer visitation and should translate into higher sales and rental growth over the longer term. • Vicinity takes a 'Retailer First' approach, supporting retailers with tools and information, and enabling their channel strategies. • Vicinity actively manages existing ancillary income streams and invests in new adjacent products and services which are closely aligned to its core business. • Vicinity's COVID-19 response remains focused on: – ensuring its centres are safe and remain open to trade; – finalising outstanding COVID-19 rent relief agreements and increasing cash collections, while proactively providing targeted support to retailers suffering financial stress or hardship; – retaining existing tenants via renewals, incentives and extending lease tenures where possible; – prudent cost management; and – supporting CBD recovery and reinvigoration through industry bodies.	Real estate Capital Data and technology Community

Risks and opportunities and the potential impact on value creation	How Vicinity manages the risks and opportunities	Associated resources
Achievement of target portfolio composition There is the potential that acquisition, divestment and development opportunities may be limited and/or not deliver the intended financial results. Vicinity may be unable to identify or execute on opportunities that meet Vicinity's investment objectives due to price, timing, market demand and/or the funding capacity of Vicinity and any co-owner of the asset. Challenging development fundamentals and deferral of non-essential capital expenditure will mean that some projects may be delayed or not proceed. Vicinity's ability to enhance its portfolio continues to be impacted by COVID-19 and this may adversely impact growth and returns to securityholders.	• Vicinity has clear investment criteria for evaluating assets and regularly assessing asset quality and prospective performance using both qualitative and quantitative factors. This information is used to inform capital allocation and investment decisions. Vicinity provides strong governance and oversight of capital allocation decisions through its Investment and Capital Committee and Board approval processes. • Vicinity continues to focus on identifying acquisition opportunities and will leverage third party capital where feasible. • Vicinity may consider asset divestments as a source of funds for reinvestment into developments or value accretive acquisitions where Vicinity expects to generate a superior return from the development or acquisition. • Development opportunities are assessed and prioritised against set criteria, which must meet minimum risk-adjusted financial return hurdles. While Vicinity has remained prudent with its capital in FY21, which resulted in limited development expenditure, it has accelerated project planning and advanced development applications and approvals, particularly for retail-led mixed-use developments.	Capital Real estate
Adoption of data analytics and technological advancements The inability to adapt and adopt technological advancements and adequately utilise data analytics and 'big data' to achieve market intelligence may significantly affect Vicinity's ability to unlock its strategic and operational potential or impact Vicinity's competitiveness. This includes the effective management of legacy technologies as they become unsupported, decommissioned and/or replaced.	• Vicinity leverages its data and digital assets to enable data-driven analysis and decision making. This includes optimising leasing decisions, providing retailer insights, informing development decisions and improving operational performance. • Vicinity has a dedicated Information and Innovation (I&I) team that actively explores, invests in and manages new products, services and data assets that are complementary to and leverages its retail portfolio. • Vicinity's technology strategy has been refreshed with guidance from external third party experts to ensure it is positioned from a technology perspective to achieve its strategic goals. • Vicinity's technology architecture has been designed to take advantage of new initiatives that integrate with its legacy technology platforms and is guided by strong governance practices. • Core legacy platforms have been reviewed for currency and security risk and evaluated as being fully supported by the vendor.	Real estate Data and technology

Risks and opportunities and the potential impact on value creation	How Vicinity manages the risks and opportunities	Associated resources
Information/data security The inability to adequately protect Vicinity's systems from cyber-attack, theft or other malicious or accidental act (from internal or external sources) could result in a data breach, damage its brand, impact operations and cause a loss of customer trust.	• Vicinity has a robust information security and data governance strategy and framework. This includes tools, training, systems and processes to address data collection, use and management (Data Governance) and protection (Information Security). • Vicinity continues to progress activities in its comprehensive Data Governance and Cyber Security Plans, which are constantly reviewed to ensure Vicinity keeps pace with the evolving external threat and regulatory environment.	Data and technology
Funding and investment opportunities Access to funding or capital at the appropriate price and in the required timeframes or deployed into investment opportunities for an acceptable risk/return trade-off is crucial to Vicinity's ability to create value over time.	• Vicinity maintains a robust capital management structure with low gearing, investment grade credit ratings, significant available liquidity and low levels of upcoming expiring debt. • Vicinity continues to closely monitor asset valuations, rent collection, drawn debt, cost of capital and compliance with financial covenants. While COVID-19 led to a deterioration of the income derived from and value of Vicinity's portfolio, Moody's saw Vicinity's A2 issuer rating affirmed and outlook changed from 'negative' to 'stable' (7 June 2021). Additionally, Vicinity is rated A by Standard & Poor's and its rating outlook was changed from 'negative' to 'stable' (2 June 2020). • Vicinity maintains robust treasury risk management policies and remains well hedged against interest rate movements and foreign exchange exposures. • There is strong oversight on balance sheet management and investment decisions through its committees.	Capital
People Vicinity's succession challenges and ability to attract and retain top talent (including as a result of COVID-19) may limit its ability to achieve operational targets. Loss of and the inability to attract talent also impacts Vicinity's ability to execute within target timeframes.	• Vicinity's People Strategy focuses on driving performance through optimising the operating model and ways of working, driving cultural change and building the future capability of its leaders and team members to deliver increased commercial performance. • Vicinity encourages an inclusive workplace where diversity is valued and leveraged as a driver of a performance culture. • A range of leadership and learning and development programs are in place to build capability, create succession and retain talent. • Vicinity has fit for purpose remuneration, benefits, reward and recognition frameworks.	People

OUR OPERATING AND FINANCIAL REVIEW CONTINUED

Risks and opportunities and the potential impact on value creation	How Vicinity manages the risks and opportunities	Associated resources
Conduct and culture A failure to promote a healthy culture, including where team members feel able to speak up, could adversely impact business performance and reputation.	• Vicinity's Code of Conduct sets clear behavioural standards and ethical expectations. • Team members are assessed against the values and behavioural standards outlined in the Code of Conduct as part of the annual performance review process. • Vicinity has had a continued focus on culture in FY21, and is actively working towards the delivery of its desired culture state. • Vicinity has moved to a hybrid working model, providing team members with the flexibility to work in a way that suits them while continuing to connect with colleagues. The introduction of these arrangements reflects the future of work in a post-pandemic workplace. This also links to attracting and retaining talent.	People
Climate change Having a robust approach to managing physical and transition risks related to climate change is important for Vicinity to ensure it operates a resilient portfolio which can withstand acute weather events and chronic climate impacts, realise opportunities related to transitioning to a low carbon economy, and meet stakeholder expectations around climate risk management and reporting.	• Vicinity's Sustainability Strategy addresses both the physical and transition risks related to climate change through creating low carbon, smart assets and increasing the climate resilience of its centres. • Vicinity has committed to achieving Net Zero carbon emissions by 2030 for common areas in its wholly-owned retail assets, to be delivered through a combination of solar and energy efficiency programs. • At an asset level, climate adaptation plans continue to be updated and implemented to improve the resilience of its centres to withstand future climate scenarios. • Vicinity aligns its approach to climate change management and disclosure to the recommendations in the Task Force on Climate-related Financial Disclosures (TCFD).	Capital Environment
Health and safety Vicinity's operations expose team members, contractors, retailers and consumers to the risk of injury or illness. Management of COVID-19 requires increased vigilance around health and sanitation measures. COVID-19 cases linked to Vicinity's operations could temporarily erode confidence, impact Vicinity's reputation, and/or drive lower customer traffic and sales.	• Vicinity has a comprehensive and mature Health and Safety Management System (H&SMS) that is supported by high levels of awareness, competency, capability, an audit program and a strong safety culture. • Vicinity has implemented a number of additional measures across all of its centres to minimise the spread of COVID-19 including development of COVIDSafe plans to trade safely and in line with government directives.	People Community

Risks and opportunities and the potential impact on value creation	How Vicinity manages the risks and opportunities	Associated resources
Security and intelligence An act of high impact civil disturbance, terror, active armed offender or other hostile aggressor activity would have significant consequences on shopping centre safety impacting retailer, customer and team member welfare, sales, rental and brand.	• Vicinity has implemented the recommendations from the Australian Government's Crowded Places Strategy. This includes developing Counter Terror Plans for all assets and additional asset hardening measures including Hostile Vehicle Mitigation, for higher-risk assets. • Vicinity maintains a Crisis and Emergency Management System, which provides the framework for Vicinity to respond to a major incident or crisis. This system is supported by regular training and exercises to increase preparedness and to identify any opportunities for improvement. • Vicinity continues to build its intelligence and response capability via developing strong relationships with police, other government agencies, specialists and peers. • Vicinity's community investment program focuses on addressing youth disengagement and unemployment in the communities in which it operates and helps to alleviate youth-related safety and security concerns at its centres.	People Community
Regulatory changes Changes in legislation or regulations could impact Vicinity's operations, introduce legal or administrative hurdles, restrict Vicinity's business and impact profitability.	• Vicinity is a member of various industry bodies that actively engage with government on policy areas and reform. It has created a Corporate Affairs function to strategically and proactively enhance industry and government relations and protect Vicinity's position in the market, including for regulatory change. • Vicinity is developing a consistent, centralised approach for identifying, assessing and managing regulatory changes.	Capital Community

The Glen, VIC

Sustainability

Sustainability is fundamental to the long-term performance of our business and creates shared value for Vicinity and our stakeholders. We remain focused upon creating sustainable destinations that shape better communities.

This section outlines our approach to sustainability and key focal points for FY21 and the year ahead.

Sustainability strategy

Our sustainability strategy is underpinned by three core pillars:

- **Community Significance**
  Our goal is to drive positive social change and connection with our centres through a targeted community investment program. We aim to support youth disengagement and unemployment programs at a national and local level, to shape better communities and improve the amenity and appeal of our assets. Our community significance focus also encompasses working with social, Indigenous and local enterprises to meet our procurement needs and enabling our people to positively contribute to our communities through employee volunteering and workplace giving.
- **Low Carbon Smart Assets**
  Our aim is to significantly reduce the long-term carbon footprint of our asset portfolio by implementing innovative technologies that improve energy efficiency, increase our uptake of rooftop solar, and automate superior asset performance to create sustainable destinations of the future.
- **Climate Resilience**
  Our goal is to create resilient centres that are prepared for and can support local communities during times of extreme weather events. We anticipate future weather projections and incorporate resilience measures into our key business activities and decision-making processes to provide safe places for our communities and ensure we remain open for trade for our retailers and consumers.

Stakeholder materiality

Our risk, compliance and sustainability teams monitor Vicinity's material issues throughout the year and work with the business to implement measures and strategies to mitigate risks and realise opportunities. We periodically undertake independent materiality assessments to identify our long-term economic, environmental and social risks and opportunities.

In FY21, we engaged Deloitte Australia to complete an independent materiality assessment to identify our economic, environmental and social risks. The outcomes of this materiality assessment will inform the formulation and evolution of our Sustainability Strategy.

Materiality analysis
Sustainability.vicinity.com.au

Modern Slavery

Since the *Modern Slavery Act 2018* (Cth) came into effect, we have welcomed the interest from our investors, retailers and other stakeholders on how we are responding to modern slavery risks in our business and supply chain.

In March 2021, we published our first Modern Slavery Statement outlining the actions undertaken in FY20 to assess and address modern slavery risks in our operations and supply chain.

Castle Plaza, SA – Battery

UP YOUR GAME

Our centres are destinations where people love to connect and what better way to do this than to up your game at our sporting, gaming and entertainment precincts. Leisure seekers can also catch the latest film at our cinemas or shop for home entertainment for the whole family.

In FY21, we have enhanced our approach to modern slavery through:

- continuing to implement our Responsible Procurement Action Plan and our supply chain due diligence activities;
- establishing an internal Modern Slavery Working Group, chaired by our Chief Operating Officer and including leaders from corporate, development and operations teams;
- implementing modern slavery training for all team members as part of our annual compliance training;
- becoming a participant of the United Nations Global Compact, furthering our public commitment to respecting and supporting human rights in line with international standards;
- participating in the Modern Slavery Roundtable convened by the Property Council of Australia to collaborate with our industry peers to reduce modern slavery risk across the property industry in Australia; and
- contributing as a member of the advisory panel for the Cleaning Accountability Framework (CAF) and maintained CAF certification of our Northland shopping centre.

Modern Slavery Statement
Sustainability.vicinity.com.au

Sustainability ratings

We continue to participate in a number of voluntary investor sustainability surveys on an annual basis, in order to benchmark our performance in environmental, social and governance (ESG) criteria and help identify areas of risk, opportunity and impact across our business.

Our participation in FY21 included:

- Dow Jones Sustainability Index (DJSI) – we ranked in the top 3% of the real estate companies globally;
- CDP (formerly the Carbon Disclosure Project) – we ranked on the prestigious Climate A-List for the second consecutive year, one of only three companies in Australia to achieve this ranking; and
- Global Real Estate Sustainability Benchmark (GRESB) – we ranked third in the Australian Retail sector[1].

We also participated in a number of other prominent surveys such as FTSE4Good, Sustainalytics and MSCI.

Task Force on Climate-related Financial Disclosure

We recognise the significance of climate change and its impacts. As climate change intensifies, it presents a significant challenge globally with action required to address these challenges for the short, medium and long term.

We are a supporter of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) and our climate-related risk disclosures and approach to managing climate-related risks and opportunities align with the TCFD Recommendations.

Our program is focused on understanding, assessing and addressing the material transition and physical (both acute and chronic) risks and opportunities associated with climate change for our business to enable us to increase the resilience of our business and assets and minimise our vulnerabilities to climate-related risks.

Governance

Climate change has been identified as a material risk for our business, including both physical and transitional risks, and is formally acknowledged and included in Vicinity's Enterprise Risk Register.

This risk is governed by, and managed as part of, our broader sustainability governance framework and is regularly reported to senior management through our Sustainability Committee, which is chaired by our CEO. We also report on our climate change mitigation and resilience activities to our Risk and Compliance Committee.

Strategy

As noted earlier, our sustainability strategy is integrated within the broader group strategy and climate resilience is a key pillar. We use different climate change and decarbonisation scenarios to better understand the potential long-term financial implications of climate change to inform our long-term business and asset strategies.

In FY16, we undertook a high-level physical climate risk assessment across our portfolio, using long-term Australian climate variables under certain climate change scenarios (in particular, RCP 4.5 and RCP 8.5) to inform the development of our Climate Resilience Program.

During FY19, we conducted a high-level assessment of possible financial implications and sensitivities associated with climate-related physical risks on our business and asset portfolio under two climate scenarios (RCP 4.5 and RCP 8.5). The results of this assessment help inform our decision-making across the business and will be built on as part of further investigations to better understand the potential financial impacts of climate change on our business.

We have commenced an asset level review of physical climate-related risks and this work is currently underway.

We recognise the significance of climate change and its impacts. As climate change intensifies, it presents a significant challenge globally with action required to address these challenges for the short, medium and long term.

1. Includes unlisted funds.

Colonnades, SA

As part of our program to understand transition risks we have completed scenario modelling to identify various decarbonisation pathways for our assets under different carbon reduction scenarios driven by the public and private sectors. The modelling considers current and potential future legislation, market forces and the introduction of new energy efficiency/renewable energy technologies.

As a result, we have set a Net Zero carbon emissions target by 2030[2], a related emissions reduction trajectory and a roadmap for our managed asset portfolio over the short, medium and long term against which to track our annual performance.

Further work is being commissioned to assess the impact of climate-related risks and opportunities on Vicinity's business strategy and to determine Vicinity's strategic resilience in a changing climate.

Our business and strategy
Sustainability.vicinity.com.au

Risk management

We recognise that climate change presents direct and indirect risks for our business now and for the long term, and that we can limit our contribution to climate change through minimising carbon emissions associated with our business activities, and creating resilient centres and supporting our retailers and communities during climate-related events.

Our enterprise, corporate and asset level risks and opportunities are assessed, prioritised and managed using our Enterprise Risk Management Framework (ERM), which considers strategic, operational, reputational, compliance and financial risks and opportunities for our business. It uses a consequence/likelihood assessment matrix to assess and prioritise business risks and opportunities, including climate change.

We address climate-related risks via the following two streamlined programs, which are focused on managing physical and transitional risks:

- our Climate Resilience Program, which is focused on mitigating the risks of climate-related physical impacts by enhancing the resilience of our centres and our business; and
- our long-term approach to decarbonising and reducing our exposure to the risks associated with transitioning to a low-carbon economy, which is demonstrated through our commitment to our Net Zero 2030 carbon target[2] (Low Carbon Smart Assets).

Our management of risk – page 27

Metrics and targets

We monitor our direct climate impacts and report on emissions, energy, water and waste for each asset annually.

Our Sustainability Performance Pack includes a portfolio-level summary for all key metrics – electricity, water, recycling and emissions. We obtain external assurance over this data each year, details of which can be found on our Sustainability website.

We are tracking well towards our Net Zero 2030 carbon target[2] having reduced our energy intensity by 30% since June 2016. We continue to progress our on-site solar program across our wholly-owned retail assets including the completion of installations at Ellenbrook Central, Karratha City, Runaway Bay Centre and Whitsunday Plaza during FY21, adding to our total of 30.6MW of solar across 19 of our managed centres at the end of FY21.

Our performance and priorities – page 12

Reporting and transparency
Sustainability.vicinity.com.au

2. For our wholly-owned retail assets. Consistent with GHG Protocol, this applies to common mall areas.

Community significance and reconciliation

As a business, we exist to enrich community experiences. This includes our drive for positive social change and connection through our targeted community investment program, which included $3.2 million invested in our communities in FY21.

A key part of our community significance is our reconciliation journey. Our Innovate Reconciliation Action Plan (RAP) represents a key step for Vicinity in increasing respect, equality and opportunity for Indigenous Australians. Since 2018, we have spent over $1.4 million with Indigenous businesses, and in FY21 we became a member of Supply Nation, in order to further engage Indigenous businesses. Supply Nation is Australia's leading database of verified Indigenous businesses and is responsible for driving connections between Indigenous businesses and procurement, delivering positive social outcomes.

COVID-19 has impacted our ability to implement some of our Innovate RAP commitments during FY21, in particular, those commitments requiring in-person engagement with local Indigenous stakeholders and using our centres as platforms where local communities can celebrate important events such as National Reconciliation Week. We look forward to resuming these activities as soon as is practical.

CASE STUDY – Australian Red Cross partnership

One of the key areas of focus for Vicinity within communities is alleviating youth disengagement and unemployment. With successful programs in youth support services and the ability to deliver social programs across Australia, during FY21 we entered into a three-year strategic corporate partnership with the Australian Red Cross (ARC).

The ARC brings a range of youth-focused programs in the communities in which we operate, a strong history of creating positive social impact, the ability to tailor programs to meet our objectives, and multiple touch points for employee volunteering, including skilled volunteering, tied back into our internal learning and development programs.

This partnership also opens up opportunities beyond our youth focus to wider sustainability and community programs and we are currently working with ARC to establish a suite of activities and programs.

Overall, the partnership strongly aligns with our purpose of enriching community experiences and aims to deliver engaging and exciting projects that alleviate youth disengagement and unemployment in the communities in which we operate, whilst ensuring our centres continue to be positive and prominent community focal points.

CASE STUDY – Karratha City solar rollout

During January 2021, we continued our solar investment program, adding Karratha City shopping centre in Western Australia to the already extensive list of solar powered centres.

The $6 million project of more than 6,100 panels can generate over 3,900 MWh per year, enough to power approximately 400 average Australian homes.

We have committed $73 million to Australia's largest shopping centre solar roll out, helping us to strongly reduce carbon emissions.

CASE STUDY – Vicinity taking action on climate change

We have established a target of Net Zero carbon emissions by 2030[3] which will be achieved through our industry-leading on-site solar program and implementing innovative technologies that improve energy efficiency across our wholly-owned assets retail portfolio.

In December 2020, we were included in CDP's prestigious A-List for the second year in a row, which recognises leading action on climate change. Vicinity was one of only three companies in Australia to achieve this top ranking

Stakeholder engagement

Vicinity is committed to understanding the views of its key stakeholders through its active and regular engagement with them. The graphic below highlights the key methods by which engagement is conducted and feedback collected.

Considering stakeholder interests in Board decision-making

The Board has put in place processes designed to ensure that stakeholder interests are considered in Board discussions and in principal decision-making.

Regular engagement with key stakeholders is imperative to Vicinity. In FY21, Vicinity engaged Deloitte Australia to perform an independent stakeholder materiality assessment on non-financial risks, the results of which will be used in the formation and evolution of the refreshed Sustainability Strategy.

3. For our wholly-owned retail assets. Consistent with GHG Protocol, this applies to common mall areas.

OUR OPERATING AND FINANCIAL REVIEW CONTINUED

Stakeholder group	What matters to our stakeholders	Board discussion and principal decision-making
Consumers	• Visible confidence in COVID-19 cleanliness, safety and response efforts • Timely communications and access to information • Conscious consumerism and sustainability of destinations • Human connections for themselves and with others • A sense of belonging • Unique experiences and entertainment that excite them	• Statutory duties under the *Corporations Act 2001* – consumer experience is at the centre of strategic and operational discussions • Executive Committee provides consumer insights, Net Promoter Score, trends and research results and other data and reports to the Board via the CEO and Managing Director as required
Retail partners	• Regular communication and modifications to leasing contracts to adapt to COVID-19 • Rental abatements of $231 million provided to support retail partners • Ongoing tenant engagement and retention • Data and insights into consumers	• Relationship with retail partners maintained by Leasing and Development teams and monitored by the Chief Operating Officer and Chief Development Officer; reports are given to the Board as required (minimum quarterly)
Government	• Proactive and transparent communication with Federal, State and Local governments on operational and community impacts of COVID-19 • Active membership and support in lobbying for issues/policy changes presented by Property Council of Australia (PCA) and Shopping Centre Council of Australia (SCCA)	• Relationship with governments maintained by Chief Corporate Affairs Officer with regular updates provided to the Board • Chief Innovation and Information Officer is an Alternate Director for the SCCA, presenting key issues for Vicinity and the industry to the Executive Committee and Board as required • Regulatory and compliance matters are overseen by the Risk and Compliance Committee and escalated to the Board if necessary
Our people	• A sense of belonging at Vicinity • Timely and transparent communication in relation to Vicinity's purpose, goals and response to the pandemic • Ongoing development and career opportunities to perform in existing and future roles	• People, culture and leadership are a key strategic priority and are actively monitored by the Board via regular updates from the Chief People Officer and through engagement surveys • The Remuneration Committee considers reward and pay for the Executive Committee and the wider workforce
Community	• Centres acting as a place of interaction that can offer an opportunity to build social connections • Vicinity supporting communities through volunteering and key partnerships	• Community interests are monitored by the sustainability team with regular updates provided by the Chief Corporate Affairs Officer to the Board which is considered in Board decision-making • Proactive engagement with community on key development projects led by development and centre teams, monitored by the Chief Development Officer, with key issues communicated to the Board
Partners and suppliers	• Regular communication and changes in contractual and operational matters to adapt to COVID-19 • Developing new ways of working to best utilise technology and support remote working • Active management of resource and capacity planning to provide maximum flexibility within the supply chain • Enhancement of approach to identifying and addressing Modern Slavery issues within the supply chain	• Partnering with charities that support Vicinity's Sustainability Strategy, led by the sustainability team and Chief Corporate Affairs Officer, who communicates material issues to the Board • Supplier risk management overseen by the Executive Committee, which reports to the Board • Key partnerships are monitored at all levels and subject to due diligence to ensure compliance with current regulatory and statutory requirements, e.g. human rights and Modern Slavery requirements
Security-holders	• Active engagement with the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Investor Relations to ensure that securityholders have a clear and detailed understanding of Vicinity's strategic and financial performance and how this aligns with securityholder interests and outcomes	• The Board maintains open dialogue with securityholders during specific periods of engagement • Investor Relations report considered at each Board meeting • The Board and Executive Committee meet securityholders at the Annual General Meeting (AGM) • The Chairman of the Remuneration and Human Resources Committee engages with securityholders on remuneration strategy and outcomes • Investor days, roadshows, briefings and ad hoc meetings (on request) are held where calendar and regulatory requirements allow • Securityholder consultation on key issues • Engagement with securityholders to assist in the development of our new sustainability strategy

EXPRESS YOURSELF

With the best in class retailers across our centres, we bring the latest trends in hair, skin, nails and cosmetics to our consumers. Treat yourself to a facial, haircut and manicure in store or grab everything you need for your at-home regime.

OUR PEOPLE

The Vicinity Way

COVID-19 and the changing retail and consumer landscape have presented both sudden and gradual disruptions to Vicinity's ways of working or operating model. Additionally, these disruptions are underpinning a shift in the role shopping centres play within our communities and forcing us to quickly respond with innovative ways to protect our existing business by building new revenue streams. Equipping our leaders with the skills to respond to these changes has been a critical and ongoing focus in FY21.

This evolving external context also presents a significant opportunity for Vicinity to evolve and strengthen. By adapting our ways of working, leveraging our assets and capabilities differently and embracing the changing retail landscape we will be better positioned to address current business challenges and deliver long-term, sustainable performance and growth.

In FY21, we embarked on a systemic change program designed to deliver an enhanced operating model. Titled *The Vicinity Way*, this multi-year transformational program is intended to drive cultural change, enhance capability of our people, increase execution velocity and deliver increased commercial performance over time.

More specifically, *The Vicinity Way* embeds adaptive ways of thinking and growth mindsets while also driving cohesion across the business. These new ways of working augment our existing organisational strength in retail property management.

The Vicinity Way has strong engagement with Vicinity's Executive and Senior Leadership teams.

Our continued response to COVID-19

Throughout FY21, our people continued to display high levels of dedication, commitment and resilience while living and breathing our organisational values.

The COVID-19 pandemic impacted all our people in a variety of different ways and Vicinity's response throughout was consistently 'people first'. As part of our 'people first' response, Vicinity:

- proactively invested in the safety, mental health and wellbeing of our people through a range of dedicated wellbeing programs and events
- ensured we communicated regularly and transparently, and in a way that was inclusive and adaptive to the changes that were occurring
- adopted a continuous listening methodology to gather real-time feedback from our people
- supported our team members with increased flexibility, enabling them to manage the ongoing integration of work and home life
- implemented a 'hybrid working' model, accessible for all team members, once workplace restrictions had eased, and
- recognised the contribution and effort of all our team members, with the allocation of one week of 'Thank you' leave.

The positive impact of our 'people first' approach was demonstrated with our team members rating 'Company confidence' at 87% and 85% in our July 2020 and October 2020 COVID-19 Pulse check surveys.

Building future talent and capability

In FY21, we continued to support the development of internal talent and capability through the delivery of a range of programs and initiatives, including the launch of individual coaching programs for Senior Leaders. For people leaders and team members, we provided individual coaching and targeted career development opportunities. We also demonstrated our commitment to early career talent as we progressed with a new intake of graduates to our Graduate Program.

Employee experience and continuous listening

Critical to developing and sustaining a culture of high performance is having the leadership capability and discipline to consciously listen and build authentic, two-way communication. This two-way communication must also foster trust and psychological safety.

In November 2020, we launched our inaugural employee experience survey, which is central to our continuous listening methodology. In addition to measuring employee experience, the survey provides a means for our people leaders to listen to, and act on, the collective feedback from their teams.

Our employee experience survey results demonstrated that our team members remained focused on delivering results for our retailers and our business despite the disruption 2020 brought. They saw alignment between their role and Vicinity's purpose, felt empowered to act, knew how to be successful in their role and felt appropriately involved in decisions that affect their jobs.

Queen Victoria Building, NSW – Pride

QueensPlaza, QLD – Pride

In general, our people felt they were provided regular, meaningful feedback and coaching and that their leader showed a genuine care for their wellbeing during the pandemic.

Further highlights of the survey include strong levels of advocacy and pride, with 74% of respondents indicating they are proud to work for Vicinity and 72% saying they would recommend Vicinity as a great place to work.

Diversity, Inclusion and Belonging

In FY21, we reframed a singular focus on diversity to diversity, inclusion and belonging (DIB) and evolved our DIB approach to an integrated, leader-led initiative that is owned by the whole organisation.

Key achievements in FY21 which have supported this shift include:

- positioning DIB as a key driver of culture and performance, which is owned by everyone in the organisation
- realigning the DIB governance model through the evolution of a DIBs Governance Forum (previously a Diversity Forum), of which all of the Executive Committee are members
- reviewing and adopting a new set of diversity principles, which are now embedded in all talent and organisational development processes, and
- measuring employee experience through a diversity lens and proactively considering and influencing how experience differs across the organisation.

Our renewed commitment to DIB comes with executive leadership and includes, among a range of focal points, zero tolerance for gender-based and sexual harassment, as well as increased support for victims of domestic and family violence.

Gender diversity

In a candidate short market, we continued to progress towards achievement of our gender target of 40:40:20. In FY21, we worked to foster a work environment that embraces diversity, actively provides opportunity for equity and enriches employee experiences through a sense of conscious inclusion and belonging. We believe this is critical to attracting, developing and retaining the best talent in the market.

In a year of significant change, our gender composition has been maintained, with 61% of our team members being female. In addition, we have continued to make progress in promoting females into leadership roles across the organisation, with 69% of internal promotions and 64% of external appointments into people leader positions being women. We also recognise there is continued focus required to achieve our gender target of 40:40:20 in our most senior roles.

OUR BOARD

Our Board is committed to high standards of corporate governance. Our corporate governance platform is integral to supporting our strategy, protecting the rights of our securityholders and creating sustainable growth.

Corporate governance

During FY21, our corporate governance framework was consistent with the fourth edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. Our 2021 Corporate Governance Statement is available in the corporate governance section of our website at vicinity.com.au/about-us/corporate-governance

2021 Corporate Governance Statement
vicinity.com.au

Company secretaries

Vicinity has two company secretaries.

Carolyn Reynolds

Refer to page 46 for biographical details

Rohan Abeyewardene

Rohan Abeyewardene was appointed Group Company Secretary in October 2018 following his appointment as Company Secretary in February 2018. Prior to this, Mr Abeyewardene held a range of company secretarial and governance roles. Mr Abeyewardene is a Fellow of the Governance Institute of Australia and a Chartered Accountant, and holds a Bachelor of Commerce and Bachelor of Economics from the University of Queensland.

Further information

You can find more disclosure on the following topics:

Strategy and business prospects – page 12

Our management of risk – page 27

Governance
sustainability.vicinity.com.au

Tax transparency – page 48

Contact us – page 141

Trevor Gerber

BACC, CA, SA

Independent Non-executive Chairman

Appointed June 2015

Trevor Gerber worked for 14 years at Westfield, initially as Group Treasurer and subsequently as Director of Funds Management responsible for Westfield Trust and Westfield America Trust. He has been a professional director since 2000, and has experience in property, funds management, hotels and tourism, infrastructure and aquaculture.

Mr Gerber is the Chairman of the Nominations Committee and a member of the Audit Committee and the Remuneration and Human Resources Committee.

Mr Gerber was elected as Vicinity's Chairman effective from the conclusion of the 2019 Annual General Meeting on 14 November 2019.

Mr Gerber is a member of Chartered Accountants Australia and New Zealand.

Current Listed Directorships

Nil.

Past Listed Directorships (last three years)

CIMIC Group Limited (held from 2014 to 2019), Sydney Airport (Chairman from 2015 to 2021 and Director from 2002) and Tassal Group Limited (held from 2012 to 2020).

Grant Kelley

LLB, MSc Econ, MBA

CEO and Managing Director

Appointed January 2018

Grant Kelley has over 30 years' of global experience in real estate investment, corporate strategy, funds management and private equity.

Previously, Mr Kelley was CEO at City Developments Limited, a Singapore-based global real estate company with operations in over 20 countries. Prior to this, Mr Kelley was the Co-Head of Asia-Pacific for Apollo Global Management, and also led their real estate investment activities in the region. In 2008, Mr Kelley founded Holdfast Capital Limited, an Asian-based real estate investment firm, which was acquired by Apollo in 2010. From 2004 to 2008, Mr Kelley was the CEO of Colony Capital Asia, where he guided acquisition and asset management activities in Asia. Mr Kelley commenced his career in 1989 at Booz Allen & Hamilton, advising CEOs of major listed companies in the financial services, natural resources and healthcare industries.

Mr Kelley is Chairman of the Adelaide 36ers, Chairman of Holdfast Assets, a Director of the Shopping Centre Council of Australia, Deputy Chair of the Board of Governors of Pulteney Grammar School, a Council Member of the Asia Society Policy Institute, and a Member of the Premier's Economic Advisory Council (South Australia).

Mr Kelley holds a Bachelor of Laws degree from the University of Adelaide, a Masters in Economic Sciences from the London School of Economics, and an MBA from the Harvard Business School.

Current Listed Directorships

Nil.

Past Listed Directorships (past three years)

Nil.

Clive Appleton
BEC, MBA, AMP (Harvard), GradDip (Mktg), FAICD
Non-executive Director
Appointed September 2018

Clive Appleton has extensive experience in property and funds management and property development, having worked for several of Australia's leading retail property investment, management and development groups.

Mr Appleton's executive experience includes Chief Executive Officer of Gandel Retail Trust, senior executive roles with Jennings Group, where he was responsible for managing and developing its retail assets before a subsidiary was restructured to become Centro Properties Limited of which he became Managing Director; Managing Director of The Gandel Group Pty Limited where he was involved in the development of $1 billion worth of property; and Managing Director of APN Property Group including being instrumental in its float and responsible for managing its Private Funds division.

Mr Appleton was also previously a Non-executive Director of the Company and the RE from December 2011 to the time of the merger of Federation Centres and Novion Property Group in June 2015.

Mr Appleton is also Chairman of Aspen Group and Pancare Foundation, Deputy Chairman of The Gandel Group Pty Limited, and a Director of APN Property Group Limited, Perth Airport Pty Ltd and Perth Airport Development Group Pty Ltd.

Current Listed Directorships

Chairman: Aspen Group (since 2012).
Director: APN Property Group Limited (since 2004).

Past Listed Directorships (past three years)

Nil.

Tim Hammon
BCOMM, LLB, MAICD
Independent Non-executive Director
Appointed December 2011

Tim Hammon has extensive wealth management, property services and legal experience.

Mr Hammon was previously Chief Executive Officer of Mutual Trust Pty Limited and worked for Coles Myer Ltd in a range of roles including Chief Officer, Corporate and Property Services with responsibility for property development, leasing and corporate strategy. He was also Managing Partner of various offices of Mallesons Stephen Jaques.

Mr Hammon is the Chairman of the Risk and Compliance Committee and a member of the Remuneration and Human Resources Committee and the Nominations Committee.

Mr Hammon is also a member of the advisory boards of the Pacific Group of Companies and of Liuzzi Property Group, a Director of EQT Holdings Limited and an advisor to EMT Partners Pty Ltd.

Current Listed Directorships

EQT Holdings Limited (since 2018).

Past Listed Directorships (past three years)

Nil.

Peter Kahan
BCOMM, BACC, CA, MAICD
Independent Non-executive Director
Appointed June 2015

Peter Kahan has had a long career in property funds management, with prior roles including Executive Deputy Chairman, Chief Executive Officer and Finance Director of The Gandel Group. Mr Kahan was the Finance Director of The Gandel Group at the time of the merger between Gandel Retail Trust and Colonial First State Retail Property Trust in 2002.

Prior to joining The Gandel Group in 1994, Mr Kahan worked as a Chartered Accountant and held several senior financial roles across a variety of industry sectors.

Mr Kahan is Chairman of the Remuneration and Human Resources Committee and a member of the Audit Committee and the Nominations Committee.

Mr Kahan was previously a Director of Charter Hall Group from 2009 to 2016 and a Director of Dexus Wholesale Property Limited.

Current Listed Directorships

Nil.

Past Listed Directorships (past three years)

Nil.

Janette Kendall
BBUS MARKETING, FAICD
Independent Non-executive Director
Appointed December 2017

Janette Kendall has significant expertise in strategic planning, digital innovation, marketing, operations and leadership across a number of industry sectors including digital and technology, marketing and communications, media, retail, fast-moving consumer goods, hospitality, gaming, property and manufacturing.

Ms Kendall's executive experience, both in Australia and China, includes Senior Vice President of Marketing at Galaxy Entertainment Group, China, Executive General Manager of Marketing at Crown Resorts, General Manager and Divisional Manager roles at Pacific Brands, Executive Director at Singleton Ogilvy & Mather, CEO of emitch Limited, and Executive Director of Clemenger BBDO.

Ms Kendall is a member of the Remuneration and Human Resources Committee and the Risk and Compliance Committee.

Ms Kendall is also a Director of Costa Group, Tabcorp Holdings Limited (subject to regulatory and ministerial approvals), KM Property Funds, Australian Venue Co and Visit Victoria.

Current Listed Directorships

Costa Group (since 2016) and Tabcorp Holdings Limited (subject to regulatory and ministerial approvals) (since 2020).

Past Listed Directorships (past three years)

Nine Entertainment Co Holdings Ltd (held from 2017 to 2018) and Wellcom Worldwide (held from 2016 to 2019).

Karen Penrose
BCOMM (UNSW), CPA, FAICD

Independent Non-executive Director

Appointed June 2015

Karen Penrose's executive experience was in leadership and CFO roles, mainly in financial services. Ms Penrose is passionate about customer outcomes and financial management and is well-versed in operating in a rapidly changing regulatory environment, which stems from her 20 years in banking with Commonwealth Bank of Australia and HSBC and eight years to early 2014 as a listed company CFO and COO.

Ms Penrose has been a full-time director since 2014 and is a member of Chief Executive Women.

Ms Penrose is Chairman of the Audit Committee and a member of the Risk and Compliance Committee.

Ms Penrose is a Director of Bank of Queensland Limited, Estia Health Limited and Ramsay Health Care. She is also on the board of Rugby Australia Ltd and Marshall Investments Pty Limited.

Current Listed Directorships

Bank of Queensland Limited (since 2015), Estia Health Limited (since 2018) and Ramsay Health Care (since 2020).

Past Listed Directorships (past three years)

Future Generation Global Investment Company Limited (pro bono role) (held from 2015 to 2018) and Spark Infrastructure Group (held from 2014 to 2020).

Dr David Thurin AM
MBBS, DIP RACOG, FRACGP, MS in Management, MAICD

Non-executive Director

Appointed June 2015

David Thurin has had extensive experience in the property industry that includes senior roles within The Gandel Group and associated companies, including being the Joint Managing Director. Dr Thurin was a Director of The Gandel Group at the time of the merger between Gandel Retail Trust and Colonial First State Retail Property Trust in 2002.

Dr Thurin is the Chairman, Chief Executive Officer and founder of Tigcorp Pty Ltd which has property interests in retirement villages and land subdivision. He has a background in medicine, having been in private practice for over a decade, and was a prior President of the International Diabetes Institute and a prior Director of The Baker Heart and Diabetes Institute. He is a member of the World Presidents' Organisation and the Australian Institute of Company Directors.

Dr Thurin was made a Member of the Order of Australia (AM) for his significant service to sporting organisations and to community health.

Current Listed Directorships

Nil.

Past Listed Directorships (past three years)

Nil.

OUR EXECUTIVE COMMITTEE

The CEO and Managing Director (CEO), together with the members of the Executive Committee and Senior Leaders, is responsible for implementing Vicinity's strategy, achieving Vicinity's business performance and financial objectives and carrying out the day-to-day management of Vicinity.

Management is also responsible for supplying the Board with accurate, timely and transparent information to enable the Board to perform its responsibilities.

Management Committees

The CEO has established a number of Committees to facilitate decision-making by management. Management Committees include:

- **Executive Committee** – comprised of 10 members outlined on the current page and overleaf.
- **Capital Management Committee** – comprised of the CEO, Chief Financial Officer* (CFO) (Committee Chairman), Chief Development Officer (CDO), Director Operational Finance & Property Management and Director Strategy & Corporate Finance.
- **Investment and Capital Committee** – comprised of the CEO (Committee Chairman), Chief Operating Officer (COO), CFO, Director Strategy & Corporate Finance and General Counsel.
- **Sustainability Committee** – comprised of the CEO (Committee Chairman), Chief Corporate Affairs Officer, Chief Innovation & Information Officer, COO, CDO, Chief People & Organisational Development Officer and other Management representatives.

* The Director Strategy & Corporate Finance, Adrian Chye, is currently Acting Chief Financial Officer.

Grant Kelley
CEO and Managing Director

Grant Kelley joined Vicinity Centres in January 2018 and has over 30 years' of global experience in real estate investment, corporate strategy, funds management and private equity.

Grant was formerly CEO at City Developments Limited, a Singapore-based global real estate company with operations in over 20 countries. Prior to this, Grant was the Co-Head of Asia-Pacific for Apollo Global Management, leading their real estate investment activities in the region. In 2008, Grant founded Holdfast Capital Limited, an Asian-based real estate investment firm, which was acquired by Apollo in 2010.

From 2004 to 2008, Grant was the CEO of Colony Capital Asia where he guided acquisition and asset management activities in Asia. From 2002 to 2004, he was based in New York, where he was a Principal at Colony with responsibility for US and European investment opportunities.

Grant holds a Bachelor of Laws degree from the University of Adelaide, a Masters in Economic Sciences from the London School of Economics, and an MBA from the Harvard Business School.

Grant is Chairman of the Adelaide 36ers, Chairman of Holdfast Assets, a Director of the Shopping Centre Council of Australia, Deputy Chair of the Board of Governors of Pulteney Grammar School, a Council Member of the Asia Society Policy Institute, and a Member of the Premier's Economic Advisory Council (South Australia).

Peter Huddle
Chief Operating Officer

Peter Huddle joined Vicinity Centres in March 2019 and has over 20 years' experience in real estate development and asset management. As Chief Operating Officer (COO), Peter is responsible for leading the teams on all aspects within our shopping centres, including management, operations, leasing, development and marketing.

Prior to joining Vicinity, Peter has had extensive experience in multiple global markets through a number of senior roles within the Westfield Group. Peter was most recently COO of Unibail-Rodamco-Westfield, USA post acquisition of Westfield. Before the acquisition, Peter was Senior Executive Vice President and Co-Country Head of the USA, where he led the US development teams through a prolific period of expansion. Before the US, he was COO of a Westfield Joint Venture in Brazil. Prior to Brazil, Peter had extensive Asset Management and Development experience within the Australian market.

OUR EXECUTIVE COMMITTEE CONTINUED

Adrian Chye

Acting Chief Financial Officer

Adrian Chye joined Vicinity Centres in June 2015 following the merger of Federation Centres and Novion Property Group (Novion). Adrian is an experienced finance executive with over 15 years' experience in strategy, corporate finance and accounting roles.

Prior to his current appointment, Adrian was Director Strategy & Corporate Finance. Previous to this, Adrian was Head of Strategy at Novion (formerly CFSGAM Property) and Head of Strategy and Corporate Transactions at CFSGAM Property.

Adrian is responsible for Group strategy, mergers and acquisitions, financial planning and analysis, external financial reporting, capital transactions and strategic partnerships.

Adrian is a member of Chartered Accountants Australia and New Zealand.

Carolyn Reynolds

General Counsel

Carolyn Reynolds joined Vicinity Centres in May 2014 and has more than 20 years' experience as a commercial litigation and corporate lawyer. In her current role, Carolyn has oversight of the safety, risk, compliance, company secretarial, lease administration and legal functions for Vicinity, and is a Director of the Vicinity subsidiary Boards.

Prior to her current appointment, Carolyn was a partner at law firm Minter Ellison from July 2003. Carolyn gained extensive experience over this time, which featured work on Las Vegas Sands Corp.'s bid for the rights to develop and operate the Marina Bay Sands Integrated Resort in Singapore. Carolyn has also gained diverse experience relating to boards from her legal work and involvement with not-for-profit organisations such as Ovarian Cancer Australia.

Carolyn is a member of the Australian Institute of Company Directors, Chief Executive Women and ACC Australia.

Carolyn Viney

LLB, BA

Chief Development Officer

Carolyn Viney joined Vicinity Centres in October 2016 and has more than 20 years' experience in construction, property development and real estate investment.

Prior to her current appointment, Carolyn was with Grocon, where she held a number of senior roles over a 13-year period, including CEO, Deputy CEO and Head of Development.

Carolyn is an Advisory Board Member to the Victorian Government's Office of Projects Victoria, and an Advisory Board Member of Women's Property Initiatives, a not-for-profit housing provider to women and children at risk of homelessness. Carolyn is also a Non-executive Director of The Big Issue and Homes for Homes, both of which are not-for- profit providers of employment and support to homeless, marginalised and disadvantaged people, as well as being a Non-executive Director of the Walter + Eliza Hall Institute of Medical Research. Carolyn is a former President of the Victorian Division of the Property Council of Australia.

David Marcun

Director Operational Finance & Property Management

David Marcun joined Vicinity Centres in June 2015 as part of the merger of Federation Centres and Novion Property Group (Novion). David has more than 25 years' experience in the retail property sector, predominantly in finance and operations roles.

Prior to his current appointment, David was EGM Business Development. Previous to this, David was Chief Operating Officer and Head of Asset Management at Novion (formerly CFSGAM Property). Over this time, David played a significant role in the merger of Federation Centres and Novion, as well as the internalisation of CFSGAM Property from Commonwealth Bank of Australia in 2013-14. Having joined The Gandel Group in 1993, David was also involved in the acquisition of Gandel Retail Management by CFSGAM Property in 2002.

David is a member of Chartered Accountants Australia and New Zealand.

Justin Mills
Chief Innovation & Information Officer

Justin Mills joined Vicinity Centres in June 2015 following the merger of Federation Centres and Novion Property Group (Novion) and has more than 19 years' experience in the retail property sector. In this newly created role, Justin is responsible for developing and testing new concepts and ideas that are aligned to the corporate and departmental strategies, specifically where these can be accelerated and enabled by technology, digital and data. Justin oversees enterprise technology, business development, energy, media, research & insights and data science.

Prior to his current appointment, Justin oversaw the strategy function of Vicinity including alternative income, data science and insights, security and intelligence, sustainability, strategy and strategic delivery, corporate communications and investor relations. Justin has also held the positions of Executive General Manager Shopping Centre Management and General Manager, Retail Management and Strategy at Novion (formerly CFSGAM Property) from 2009. In 2002, Justin joined CFSGAM Property where his roles included Assistant Fund Manager of CFS Retail Property Trust, Centre Manager of Chadstone shopping centre and regional responsibilities across several Victorian assets.

Kah Wong
General Manager Treasury

Kah Wong joined Vicinity Centres in October 2016 and has nearly 20 years' experience in global debt capital, FX and OTC derivatives markets. Kah is responsible for managing the balance sheet for Vicinity and its predecessor companies, Novion Property Group and Colonial First State Global Asset Management (CFSGAM), since 2006. He also held the role of Acting CFO at Vicinity in 2019.

Kah has worked in the UK, Singapore and Australia, and has transacted complex financing across multiple jurisdictions including M&A transactions. Previous to this, Kah was Head of Treasury at CFSGAM, Associate Director at Westpac Banking Corporation and Fixed Income Fund Manager at Retail Employee Superannuation Trust (REST).

Kah holds a Bachelor of Engineering from Monash University, and an MBA from the Melbourne Business School.

Marie Festa
Chief Corporate Affairs Officer

Marie Festa joined Vicinity Centres in July 2021 with almost 20 years' experience in corporate and ASX listed companies across a number of industries including property, fintech, mining and transport logistics. Prior to joining Vicinity, Marie held the position of Executive Vice President, Communications and Investor Relations at top 20 ASX fintech company, Afterpay. Previous to that Marie was the Head of Culture and Reputation at ASX listed property company Mirvac Group, which included responsibility for communications, human resources, investor relations, HSE&S and innovation.

With a strong background in communications and external relations, Marie has managed relationships with media, investors and other key stakeholders through several significant and complex corporate transactions including IPOs, capital raisings and major acquisitions and has provided strategic communications advice to boards and executive teams in areas such as issues and crisis management, stakeholder engagement, brand, industrial relations and safety.

Tanya Southey
Chief People & Organisational Development Officer

Tanya Southey joined Vicinity Centres in October 2019 and has more than 25 years' experience in human resources. Prior to joining Vicinity Centres, Tanya held Executive Human Resources roles at General Electric, Jetstar and Carlton and United Breweries (CUB). In addition, Tanya has consulted within the human resources strategy space.

During her career Tanya has been involved in major cultural transformations, including due diligences, acquisitions, building employee value propositions and creating high-performance cultures. In her time at CUB, Tanya was involved in the global transaction to sell SABMiller to AB Inbev, a US$106 billion deal, which was the largest in the history of the London Stock Exchange. Tanya has worked in the US, South Africa and Australia and has been accountable for human resources teams across the Asia-Pacific in multiple roles.

Tanya has been on the Victorian Board for The Hunger Project, a global organisation that aims to end world hunger through the empowerment of people in developing countries.

TAX TRANSPARENCY

Vicinity aims to create long-term value and sustainable growth from our portfolio of Australian retail assets, creating places where people love to connect and true to our purpose, enriching the communities in which we operate. Vicinity's tax culture and business practices align to those aims. Vicinity is also committed to strong corporate governance policies and practices across all of its functions, including tax.

Australian tax transparency

To improve the transparency of business tax affairs in Australia, the Board of Taxation designed the Tax Transparency Code (TTC) to outline a set of principles and minimum standards to guide the disclosure of tax information. Having adopted the TTC guidelines since its inception, Vicinity aims to provide transparent and informative disclosure on its tax affairs.

Our approach to tax

Vicinity's Audit Committee has oversight of tax matters and has endorsed the Tax Risk Management Framework (the Framework), which reflects Vicinity's low risk approach to taxation. When carrying on its activities, Vicinity:

- has a low risk appetite and does not engage in aggressive tax planning and strategies;
- complies with all of its statutory obligations in a timely and transparent manner and protects its reputation;
- has robust tax governance, with ongoing oversight and escalation points for managing tax risk from Vicinity's key executives to the Audit Committee and Board of Directors; and
- engages directly with the Australian Taxation Office (ATO) to provide transparency and understanding of Vicinity's tax affairs.

A robust set of internal controls and policies has been put in place to support the operational effectiveness of the Framework within Vicinity. Furthermore, the Audit Committee and independent assurance functions such as internal and external auditors provide periodic independent and objective assurance on the effectiveness of risk management, control and governance processes.

Vicinity applies the Framework across its business to integrate the assessment of the tax implications of transactions, projects and business initiatives into day-to-day business. This enables Vicinity to assess the tax implications of all transactions before committing to them and mitigate any tax risks that might arise. If required, additional processes are then also put in place to efficiently manage Vicinity's ongoing tax compliance obligations.

Vicinity values having a good relationship with all external regulatory bodies, including the ATO. Vicinity engages and consults with regulatory bodies regarding tax policy, tax reform and tax law design on matters that affect Vicinity's business and its securityholders.

Further information on Vicinity's corporate governance is available in its 2021 Corporate Governance Statement.

2021 Corporate Governance Statement
Vicinity.com.au

Vicinity's group structure

Vicinity has a stapled structure, with each stapled security comprising one share in a company (Vicinity Limited) and one unit in a trust (Vicinity Centres Trust).

Vicinity Limited, and its wholly-owned group of entities, undertakes the business of managing Vicinity's shopping centre portfolio including property management, development management and responsible entity and trustee services for Vicinity Centres Trust, its sub-trusts and external wholesale funds. Vicinity Limited also provides property and development management services for joint owners of Vicinity's assets and other third parties.

Vicinity Centres Trust is a managed investment scheme operating in accordance with the *Corporations Act 2001* (Cth), and is regulated by the Australian Securities and Investments Commission (ASIC). Vicinity Centres Trust and its controlled trusts (Vicinity Centres Trust Group) hold the real estate investments for Vicinity.

Taxation of Vicinity

Vicinity Limited

Vicinity Limited and its wholly-owned entities are consolidated for income tax purposes, resulting in all members of the consolidated group being treated as a single corporate taxpayer. Vicinity Limited is responsible for the income tax liability of the consolidated tax group, and intra-group transactions are eliminated in order to determine the consolidated tax group's taxable income. Under Australian tax law, companies are subject to income tax at the applicable corporate tax rate (30% for FY21) on their taxable income.

Vicinity Centres Trust Group

Vicinity Centres Trust and its controlled trusts are Australian unit trusts. The Vicinity Centres Trust Group has elected into the Attribution Managed Investment Trust (AMIT) regime with effect from 1 July 2017.

Providing the Vicinity Centres Trust Group attributes all its taxable income to securityholders, the trusts are not liable to pay income tax (including capital gains tax). The taxable income from the property investments held by the Vicinity Centres Trust Group flows through the trusts and is taxed in the hands of securityholders annually. Vicinity's securityholders pay tax at their marginal tax rates if they are Australian resident securityholders, or through the AMIT withholding tax rules if they are non-resident securityholders.

Contributions to the Australian tax system

As a business that operates in the Australian property industry, Vicinity is subject to various other taxes at the federal, state and local government levels. In FY21, these taxes amounted to approximately $198.4 million and are either borne by Vicinity as a cost of our business, or are remitted by Vicinity as part of our contribution to the administration of the tax system[1].

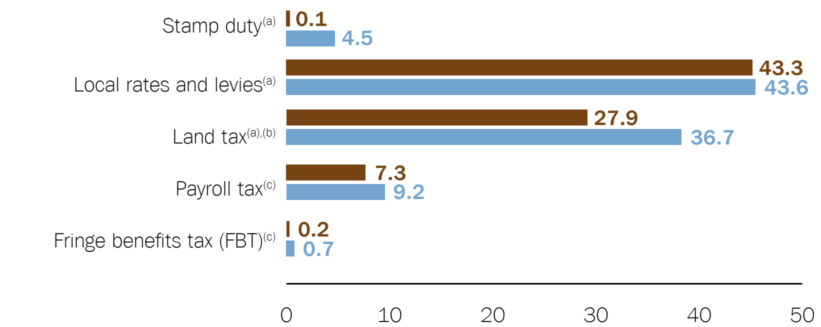
The taxes remitted by Vicinity include pay as you go (PAYG) withholding taxes paid by our employees and goods and services tax (GST) we collect from our retailers who rent space in our centres, net of GST claimed by Vicinity on its own purchases.

The information provided below summarises Vicinity's Australian tax contribution for FY21.

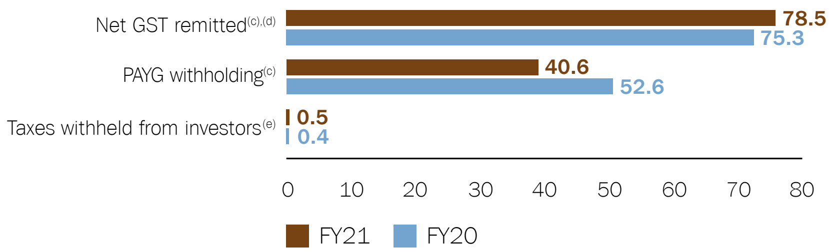
Basis of preparation

The basis of preparation for Vicinity's Australian tax contribution information presented below has been outlined in the footnotes to the disclosures. Vicinity undertakes an internal review process through its Finance and Internal Audit functions to verify the Australian tax contribution disclosures made.

Total taxes borne by Vicinity ($m)
$78.8 million



Total taxes remitted by Vicinity ($m)
$119.6 million



(a) Stamp duty, land tax, local rates and levies data have been reported on an accrual basis and therefore may vary from the actual taxes paid in FY20 and FY21.

(b) As part of State Governments' response to COVID-19, land tax relief and deferrals have been announced across all states. As a result, the land tax paid by Vicinity in FY21 is lower due to the land tax relief given by the various states.

(c) Payroll tax, FBT, GST and PAYG withholding data has been reported based on the amounts paid in respect of tax returns or notices of assessment issued to Vicinity for FY21 from the respective revenue authorities.

(d) Net GST remitted for FY21 is comprised of $144.1 million of GST collected (FY20: $160.7 million) and $65.6 million of GST claimed (FY20: $85.3 million).

(e) This represents taxes withheld from Vicinity's securityholders, which has been prepared based on information maintained by Vicinity's external security registry provider. As the majority of our securityholders either supply their tax file number or in the case of non-residents, hold their interests indirectly, this figure is not representative of the taxes actually paid by our securityholders.

1. In this regard, Vicinity includes entities that have been equity accounted in these financial statements.

Reconciliation of accounting profit to income tax paid and payable

A full reconciliation of Vicinity's accounting net profit to income tax expense is included in the deferred and current tax note in Note 3 to the Financial Report. In interpreting the disclosure in the deferred and current tax note, it should be noted that the accounting net profit is determined in accordance with the Australian Accounting Standards. Taxable income, in contrast, is an income tax concept, which is calculated by subtracting allowable deductions or tax offsets from assessable income. A taxpayer's income tax liability is calculated by multiplying its taxable income by its applicable tax rate.

Vicinity Limited

FY21 reconciliation from income tax expense to income tax paid or payable is outlined below.

	$m
Net profit before tax attributable to securityholders of Vicinity Limited	**5.1**
Income tax expense (refer to Note 3 to the Financial Report)	**10.9**
Adjust for:	
Movement in deferred tax assets including the utilisation of Australian Group tax losses	(2.3)
Income tax expense relating to derecognised deferred tax assets	(8.3)
Adjustment of current tax for prior periods and other	(0.1)
Prima facie income tax payable	**0.2**
Less tax offsets	(0.2)
Income tax payable	**0.0**

In FY21, the Vicinity Limited consolidated group generated taxable income of approximately $29.8 million prior to the utilisation of carry-forward losses ($29.2 million) and a *prima facie* income taxable payable ($0.2 million) prior to the utilisation of franking credit tax offsets ($0.2 million).

The effective tax rate[2] (ETR) based on current year income tax expense for the Company is 213.7%. The ETR is greater than the corporate tax rate (currently 30%) predominately due to the derecognition of deferred tax assets. For further explanation, Note 3(b) to the Financial Report provides a reconciliation of *prima facie* income tax expense at 30% to the income tax expense recognised.

Chatswood Chase Sydney, NSW

2. The ETR has been calculated as income tax expense ($10.9m) divided by net profit before tax attributable to Vicinity Limited ($5.1m) (in accordance with Australian Accounting Standard AASB 112 Income Taxes). The ETR should not be compared to the corporate tax rate without appreciating the differences between accounting profit and taxable income (as explained above). Further information is available on the ATO's tax transparency webpage.

Vicinity Centres Trust Group

The accounting net loss attributable to the securityholders of Vicinity Centres Trust Group was $252.2 million for FY21. Despite the accounting net loss, Vicinity Centres Trust has derived taxable income of $242.0 million, which will be attributed to the securityholders under the AMIT rules and taxed accordingly in the hands of securityholders, as described above.

The Vicinity Centres Trust Group does not pay income tax (rather, tax is paid by Vicinity's securityholders), it has no income tax expense and therefore a zero ETR.

Reconciliation to ATO tax transparency disclosure

The Vicinity Limited income tax consolidated group has a total income in excess of $100 million and is subject to public disclosure in the ATO's *Report of Entity Tax Information* that is released annually.

For the FY20 income year, this report will be published on the ATO's website[3] and it is anticipated to disclose the following information:

	$m
Total income	269.2
Taxable income	2.0
Tax payable	**0.0**

The summary below provides a reconciliation of these disclosures:

	$m
Total income	269.2
Total expenses	(227.0)
Profit before income tax	**42.3**
Net adjustments for:	
Acquisition of share-based payments	1.4
Timing differences[4]	(14.9)
Tax losses utilised	(26.8)
Total taxable income	**2.0**
Prima facie income tax payable	0.6
Less tax offsets	(0.6)
Tax payable	**0.0**

Further information

- Vicinity Limited taxes paid information as published by the ATO in the *Report of Entity Tax Information*: data.gov.au/dataset/corporate-transparency
- ATO's webpage on tax transparency for corporate tax entities, including background information and explanations: ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Tax-transparency--reporting-of-entity-tax-information
- A breakdown of the taxable components that securityholders receive via their annual taxation statements will be available on 1 September 2021 on Vicinity's website: vicinity.com.au/investor-centre/tax-information

3. Expected to be available in December 2021.
4. Adjustments that arise due to differences between when income or expenses are recognised for accounting and tax purpose.

SUSTAINABILITY ASSURANCE STATEMENT

KPMG Independent Limited Assurance Report to the Directors of Vicinity Centres PM Pty Ltd

Conclusion

Based on the evidence we obtained from the procedures performed, we are not aware of any material misstatements in the Selected Sustainability Performance Data included in Vicinity Centres PM Pty Ltd's (Vicinity Centres) 2021 Annual Report, which has been prepared by Vicinity Centres in accordance with the Criteria for the year ended 30 June 2021.

Information Subject to Assurance

Vicinity Centres engaged KPMG to perform a limited assurance engagement in relation to Vicinity Centre's 2021 Annual Report. The 2021 Annual Report covers Vicinity Centre's operations for the year ended 30 June 2021 unless otherwise indicated. KPMG's scope of work included limited assurance over the following Selected Sustainability Performance Data on pages 3, 15, 16, 17 and 36 of the Annual Report:

Selected Sustainability Performance Data
Carbon intensity: scope 1 and 2 greenhouse gas (GHG) emissions (kg tCO_2-e)
Energy intensity (MJ/sqm)
Waste diversion rate (% recycled)
Community investment ($m)
Women in leadership (%)
NABERS Energy rating (portfolio average)
NABERS Water rating (portfolio average)
Total social and indigenous enterprise spend ($m)
Total indigenous procurement spend ($m)
Progress against net zero targets (% movement of carbon intensity)

Criteria Used

The Selected Sustainability Performance Data have been prepared in accordance with Vicinity's "Sustainability Reporting Criteria FY2021", available on Vicinity Centres' website ("the Criteria").

Basis for Conclusion

We conducted our work in accordance with Australian Standard on Assurance Engagements ASAE 3000 (Standard). In accordance with the Standard we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that we are not aware of any material misstatements in the Selected Sustainability Performance Data, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

Summary of Procedures Performed

Our limited assurance conclusion is based on the evidence obtained from performing the following procedures:

- gaining an understanding of the reporting processes supporting the business activities related to the Selected Sustainability Performance Data;

- conducting interviews with relevant Vicinity personnel to understand the internal controls, governance structure and reporting process over the Selected Sustainability Performance Data;
- evaluating the appropriateness of the Criteria with respect to the Selected Sustainability Performance Data;
- undertaking analytical review procedures to support the reasonableness of the data;
- Walkthroughs and testing of the Selected Sustainability Performance Data to source documentation on a sample basis;
- identifying and testing assumptions supporting the calculations; and
- reviewing the Vicinity Centres Annual Report 2021 for consistency with the Selected Sustainability Performance Data.

How the Standard Defines Limited Assurance and Material Misstatement

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Directors of Vicinity Centres.

Use of this Assurance Report

This report has been prepared for the Directors of Vicinity Centres for the purpose of providing an assurance conclusion on the Selected Sustainability Performance Data within the Vicinity 2021 Annual Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Vicinity Centres, or for any other purpose than that for which it was prepared.

Management's responsibility

Management are responsible for:

- determining that the Criteria is appropriate to meet their needs;
- preparing and presenting the Selected Sustainability Performance Data in accordance with the Criteria; and
- establishing internal controls that enable the preparation and presentation of the Selected Sustainability Performance Data that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to perform a limited assurance engagement in relation to the Selected Sustainability Performance Data for the year ended 30 June 2021, and to issue an assurance report that includes our conclusion.

Our Independence and Quality Control

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

KPMG

KPMG
Melbourne
16 August 2021

Adrian King

Adrian King
Partner

Chadstone, VIC

FINANCIAL REPORT

For the year ended 30 June 2021

INSIDE

DIRECTORS’ REPORT

The Directors of Vicinity Limited present the Financial Report of Vicinity Centres (Vicinity or the Group) for the year ended 30 June 2021. Vicinity Centres is a stapled group comprising Vicinity Limited (the Company) and Vicinity Centres Trust (the Trust). Although separate entities, the Stapling Deed entered into by the Company and the Trust ensures that shares in the Company and units in the Trust are ‘stapled’ together and are traded collectively on the Australian Securities Exchange (ASX), under the code ‘VCX’.

Directors

The Boards of Directors of the Company and Vicinity Centres RE Ltd, as Responsible Entity (RE) of the Trust (together, the Vicinity Board) consist of the same Directors. The following persons were members of the Vicinity Board from 1 July 2020 and up to the date of this report unless otherwise stated:

(i) Chairman

Trevor Gerber (Independent)

(ii) Non-executive Directors

Clive Appleton

David Thurin AM

Janette Kendall (Independent)

Karen Penrose (Independent)

Peter Kahan (Independent)

Tim Hammon (Independent)

(iii) Executive Director

Grant Kelley (CEO and Managing Director)

Further information on the background and experience of the Directors is contained on pages 42 to 44 of this report.

Company Secretaries

Carolyn Reynolds

Rohan Abeyewardene

Further information on the background and experience of the Company Secretaries is contained on page 42 of this report.

Principal activities

The principal activities of the Group during the year continued to be property investment, property management, property development, leasing and funds management. The Group has its principal place of business at Level 4, Chadstone Tower One, 1341 Dandenong Road, Chadstone, Victoria 3148.

Review of results and operations

The Operating and Financial Review is contained on pages 10 to 39 of this report.

Significant changes in state of affairs

Completion of Security Purchase Plan (SPP)

The Group completed the SPP on 6 July 2020 with subscriptions totalling $32.6 million and accordingly on 13 July 2020, 22.6 million new Vicinity stapled securities were issued at a price of $1.44. These securities began trading alongside existing Vicinity securities on 14 July 2020.

COVID-19 pandemic

While economic activity increased particularly in the second half of the year relative to the prior financial year, the COVID-19 pandemic ('COVID-19' or 'the pandemic') continued to unfavourably impact the Group's operations and financial results for the year. As a result:

- The Group continued to provide rental assistance in the form of waivers, deferrals or other temporary modifications to the underlying lease agreements to tenants in accordance with the principles of the Federal Government's SME *Commercial Code of Conduct and Leasing Principles During COVID-19* (SME Code). In addition, the Group provided targeted rental assistance to non-SME tenants impacted by the pandemic. The SME Code expired on 31 March 2021. Following the SME Code's expiry, Vicinity continued to provide rental assistance to retail tenants in categories and locations that continue to experience financial hardship and distress.
- Central business district (CBD) assets continue to experience headwinds as foot traffic has yet to return to pre-pandemic levels, impacted by the ongoing closure of Australia's international border, intermittent snap lockdowns and a protracted return of office workers to CBD locations.
- Valuation metrics have stabilised across the portfolio relative to 30 June 2020. Additional valuation considerations including the snap lockdowns across a number of Australian states and the commencement of an extended lockdown in New South Wales is discussed further in the 'Events occurring after the end of the reporting period' section below.

COVID-19 is expected to continue to impact the Group's operations. However, the duration and extent of the pandemic and its impacts on the economy, consumers and investment markets remain uncertain. As a result, certain significant judgements, estimates and assumptions have been made in determining the carrying value of certain assets and liabilities at 30 June 2021. These are further discussed in the 'About this report' section of the Financial Report.

Further information on the impact of the pandemic and the Group's response can be found in the Operating and Financial Review section.

Distributions

Total distributions declared by the Group during the year were as follows:

	Total $m	Cents per stapled security
Interim – 31 December 2020	154.8	3.40
Final – 30 June 2021	300.4	6.60
Total – year ended 30 June 2021	**455.2**	**10.00**

The final distribution of 6.6 cents per stapled security will be paid on 31 August 2021, comprising:

- 4.1 cents in respect of underlying operations for the six months to 30 June 2021; and
- 2.5 cents attributable to several one-off items recognised in the twelve months ended 30 June 2021.

Director-related information

Meetings of Directors held during the year[1]

	Board		Special Purpose Board[2]		Audit Committee		Remuneration and Human Resources Committee		Risk and Compliance Committee		Nominations Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Trevor Gerber	6	6	8	8	5	5	6	6	–	–	1	1
Clive Appleton	6	6	8	8	–	–	–	–	–	–	–	–
David Thurin AM	6	6	8	8	–	–	–	–	–	–	–	–
Grant Kelley	6	6	8	8	–	–	–	–	–	–	–	–
Janette Kendall	6	6	8	8	–	–	6	6	5	5	–	–
Karen Penrose	6	6	8	8	5	5	–	–	5	5	–	–
Peter Kahan	6	6	8	8	5	5	6	6	–	–	1	1
Tim Hammon	6	6	8	8	–	–	6	6	5	5	1	1

1. All Directors have a standing invitation to attend Committee meetings and regularly attend meetings of Committees of which they are not members. Such attendance is not reflected in the above table.
2. Special purpose Board meetings were scheduled and convened at short notice to consider a range of special purpose matters.

Director security holdings

Director security holdings are detailed within the Remuneration Report.

Indemnification and insurance of Directors and Officers

The Company must indemnify the Directors, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities incurred by the Directors as officers of the Company or of a related body corporate provided that the loss or liability does not arise out of misconduct, including lack of good faith.

During the financial year, the Company insured its Directors, Secretaries and Officers against liability to third parties and for costs incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors, Secretaries or Officers of Vicinity. This excludes a liability that arises out of wilful breach of duty or improper use of inside information. The policy also insures the Company for any indemnity payments it may make to its Officers in respect of costs and liabilities incurred. Disclosure of the premium payable is prohibited under the conditions of the policy.

Auditor-related information

Ernst & Young (EY) is the auditor of the Group and is located at 8 Exhibition Street, Melbourne, Victoria 3000.

Indemnification of the auditor

To the extent permitted by law, the Company has agreed to indemnify EY, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). The indemnity does not apply to any loss arising out of any breach of the audit engagement agreement or from EY's negligent, wrongful or wilful acts or omissions. No payment has been made under this indemnity to EY during or since the end of the financial year.

Non-audit services

The Group may decide to employ the auditor on assignments additional to statutory audit duties where the auditor's expertise and experience with the Group is essential and will not compromise auditor independence.

Details of the amounts paid or payable to EY for audit and assurance and non-audit services provided during the year are set out in Note 19 to the financial statements.

The Board has considered the non-audit services provided during the year and is satisfied these services are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth) for the following reasons:

- the non-audit services and the ratio of non-audit to audit services provided by EY are reviewed by the Audit Committee in accordance with the External Audit Policy to ensure that, in the Audit Committee's opinion, they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* (Cth) is included immediately following the Directors' Report.

Environmental regulation

The Group is subject to the reporting obligations under the *National Greenhouse and Energy Reporting (NGER) Act 2007* (Cth). This requires the Group to report annual greenhouse gas emissions, energy use and production for all assets under management for years ending 30 June. The Group met this obligation by submitting its NGER report to the Department of the Environment and Energy for the year ended 30 June 2020 by 31 October 2020. The 2021 NGER report will be submitted by the 31 October 2021 submission date.

Corporate governance

In recognition of the need for high standards of corporate behaviour and accountability, the Directors of the Company have adopted and report against the fourth edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The full Corporate Governance Statement is available on the Corporate Governance section of Vicinity's website at vicinity.com.au.

Options over unissued securities

There were 9,070,491 and 6,579,927 unissued ordinary securities under option in the form of performance and restricted rights as at 30 June 2021 and at the date of this report respectively. Refer to the Remuneration Report for further details of the options outstanding for Key Management Personnel.

Option holders do not have any rights, by virtue of the option, to participate in any security issue of the Group.

Events occurring after the end of the reporting period

Snap lockdowns including New South Wales

In the period between 30 June 2021 and the date of this report, snap lockdowns, interstate border closures and changing restriction levels continue to be observed across several states in response to COVID-19 outbreaks. In particular, the recent outbreak of the Delta strain continues to impact New South Wales with the state government imposing tightened restrictions on movement and further extending the period of lockdown to contain the outbreak. These restrictions and any future further restrictions are likely to unfavourably impact the Group's rental collections and financial performance in FY22.

In addition, as disclosed in Note 4(c) to the financial statements, the Group considered the impact of snap lockdowns and changing restriction levels up to 30 June 2021 in determining investment property fair values at 30 June 2021.

Commercial Tenancy Relief for Businesses in Victoria and New South Wales

The Victoria and New South Wales state governments announced the reintroduction of the Commercial Tenancy Relief Scheme and the amendment of the Retail and Other Commercial Leases (COVID-19) Regulation 2021 (collectively the Schemes), on 28 July 2021 and 13 August 2021 respectively. Landlords will be required to provide proportional rent relief to eligible businesses in accordance with the Schemes. While the Schemes are in effect, landlords will not be able to lock out, evict tenants, or terminate leases due to non-payment during the COVID-19 pandemic period, without a determination from the relevant authorities. Vicinity will act in good faith and in accordance with the principles of the Schemes where applicable.

COVID-19 pandemic

The duration, frequency and extent of such restrictions and the financial, social and public health impacts of the COVID-19 pandemic remain uncertain and therefore the Group cannot quantify the impact that COVID-19 may have on future periods. The Financial Report includes disclosures on the potential impact of the prevailing uncertainty on the reported amounts of relevant revenues, expenses, assets and liabilities for the year ended 30 June 2021 and future periods where relevant.

Other than the matters described above, no other matters have arisen since the end of the reporting period which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Rounding of amounts

The Company is an entity of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission (ASIC), relating to the 'rounding off' of amounts in the Directors' Report. Accordingly, amounts in the Directors' Report have been rounded off to the nearest tenth of a million dollars ($m) in accordance with that Legislative Instrument, unless stated otherwise.

REMUNERATION REPORT

Letter from the Chairman of the Remuneration and Human Resources Committee

Dear Securityholders,

On behalf of the Remuneration and Human Resources Committee of the Board (the Committee), I am pleased to present Vicinity's Remuneration Report for the financial year ended 30 June 2021 (FY21).

Our approach

The Committee's overarching aim is to ensure our remuneration framework provides remuneration outcomes with a clear link to Company and individual performance, and to Vicinity's long-term strategy and values. Also critical during this period of significant uncertainty is ensuring the remuneration framework can support building capability by attracting, retaining and engaging a talented executive team capable of navigating the uncertainty and growing the business.

We were pleased to again receive strong support for our Remuneration Report at the 2020 Annual General Meeting, with a 99% vote 'for' the Remuneration Report and an average of over 98% support over the last three years.

Overview

FY21 was another challenging year and the efforts of our Executive Committee (EC) were essential to pivoting and resetting the business in the middle of a pandemic. While our financial results have yet to recover to optimal levels, operationally and fiduciarily, the EC executed extremely well in FY21.

The EC delivered solid outcomes against the financial and other business objectives during a period of significant ongoing challenges, with considerably more work and complexity arising from COVID-19.

This included negotiating and processing over 6,600 lease modifications in addition to normal workload, whilst work-from-home requirements were in place for a significant portion of the year and in the context of continually changing government-mandated restrictions.

Executive changes during FY21

During FY21, we made a number of changes to the EC as we focused on strengthening Vicinity for future sustainable growth. Effective 1 January 2021, Justin Mills moved into the newly created role of Chief Innovation & Information Officer and Adrian Chye was appointed to the newly created role of Director, Strategy and Corporate Finance. Marie Festa joined the EC on 5 July 2021 in the newly created role of Chief Corporate Affairs Officer. As announced on 30 June 2021, Nicholas (Nick) Schiffer resigned from the role of Chief Financial Officer (CFO) to pursue other opportunities. It was mutually agreed, when Nick resigned, that he would not work out his notice period and he subsequently left the business on 1 July 2021. Adrian Chye was appointed Acting CFO on 1 July 2021.

FY21 performance and remuneration

Business performance for FY21 benefited from the stabilisation of retail market conditions as well as proactive management initiatives to maximise outcomes, including:

- a strong focus on cash collection
- an uplift in leasing activity, particularly in the second half
- material operational cost savings achieved whilst managing through COVIDSafe requirements

Total remuneration for each Executive KMP was below target remuneration levels but higher than FY20, primarily due to the remuneration-related actions taken in FY20 in response to COVID-19, which included a 20% decrease in Total Fixed Remuneration (TFR) for the EC for the period 1 April to 30 June 2020 and the cancelling of the FY20 Short Term Incentive (STI) awards for all team members.

Financial performance was strong when compared to forecasts at the start of FY21. When reviewing the FY21 STI outcomes for Executive KMP against Company performance, the Board considered the impact of COVID-19, as well as reviewing the guidelines released by the Australian Securities and Investments Commission (ASIC) on Executive variable pay decisions and determined to make a downward adjustment to the FY21 STI financial measure outcomes to ensure alignment with securityholder experience.

The FY21 STI outcomes for the Executive KMP are summarised in the table below.

Executive KMP	FY21 STI % of maximum
Chief Executive Officer and Managing Director, Grant Kelley	51.8
Chief Operating Officer, Peter Huddle	53.3
Chief Financial Officer, Nick Schiffer	33.3

There was no vesting of performance rights granted under the FY19 (FY19-21) Long Term Incentive (LTI) plan as the Total Return (TR) and Total Securityholder Return (TSR) hurdles were not achieved. This was the second consecutive year of nil vesting under the LTI for Grant Kelley and other participants in the LTI. Neither Peter Huddle nor Nick Schiffer participated in the FY19 LTI.

COVID-19 and our people

COVID-19 continued to impact our people through stand-downs, in-centre teams dealing with public health and safety and unfortunately some redundancies, after a comprehensive review of the resources we need across the Company. Remote working continued for much of FY21 and we supported our team members with increased flexibility, enabling them to manage the ongoing integration of work and home life. We implemented a 'hybrid working' model, accessible for all team members, once workplace restrictions eased.

We also continued to actively promote our employee assistance program and personal development activities, as well as investing in the safety, mental health and wellbeing of our people through a range of dedicated wellbeing programs and events. The Board and the EC are cognisant of the challenges faced by our team members and thank them for their significant efforts during this time.

Remuneration framework for FY21

As noted last year, we reviewed aspects of our remuneration framework for FY21 to ensure it continues to support the execution of our strategies to increase securityholder value as well as the retention and motivation of key talent.

Following this review, as a one-off change for Executive KMP for FY21 only, Executive KMP and other LTI participants were granted restricted rights in lieu of the TR performance rights that have historically been granted. The FY21 LTI grant for the CEO was supported by securityholders at the AGM. The face value of the restricted rights was equal to 50% of the face value of the TR performance rights that they replaced. The Board believes that the 50% discount to the face value of the TR performance rights typically granted was appropriate given the more certain vesting outcome for the restricted rights and the necessity to retain and motivate senior executives for the recovery from the pandemic in challenging circumstances.

Tax exempt restricted securities

The Committee believes there is value in all team members being given the opportunity to become securityholders in our business as share plans help engage, retain and motivate employees over the long term. Our Tax Exempt Restricted Securities Plan (TERSO) enables Vicinity to gift up to $1,000 worth of securities to each eligible employee and in February 2021, 933 employees benefited from the TERSO.

Summary

Our financial performance for FY21 was again materially impacted by circumstances outside of the control of executives however there has been significant progress over FY21. Recovering economic conditions, adapting to COVID-19, and the end to the SME Code[1] enabled Vicinity to gain momentum on completing the large majority of COVID-19 relief agreements and collect outstanding rent. The executive remuneration outcomes for FY21 are aligned with our business performance and with securityholder experience in a challenging and uncertain environment.

There will be no changes to TFR for Executive KMP in FY22 and Board and Committee fees will also remain unchanged. While we will revert fully to the use of performance rights for the CEO and other participants for the FY22 LTI, we are currently reviewing the appropriateness of the measures and hurdles for the LTI to ensure alignment with our reward principles and framework, and with securityholder interests.

We will continue to be responsive to the pandemic and its impact on Vicinity and returns to securityholders, whilst balancing executive remuneration outcomes.

We look forward to ongoing dialogue with, and the support of, our securityholders, and welcome your feedback and comments on any aspect of this Report.

Peter Kahan
Chairman – Remuneration and Human Resources Committee

1. Vicinity notes the reintroduction of SME codes in Victoria and New South Wales on 28 July 2021 and 13 August 2021, respectively.

Contents

1. Remuneration Report overview

This Remuneration Report outlines:

- Vicinity's reward principles and framework
- Vicinity's performance for FY21 and the link between Vicinity's performance, strategy execution and the remuneration outcomes for our Executive KMP
- remuneration received by Directors and Executive KMP

The contents of the Remuneration Report (as set out below) are governed by s300A of the *Corporations Act 2001* (Cth) and the Corporations Legislation. Unless otherwise noted, figures contained within this report are prepared on a basis consistent with the requirements of Australian Accounting Standards and have been audited.

1.1 Key Management Personnel (KMP)

Vicinity's KMP include all Non-executive Directors as listed in section 5.2 and those executives who are deemed to have authority and responsibility for planning, directing and controlling the activities of Vicinity (Executive KMP). A KMP assessment is completed annually to determine which members of the EC should be disclosed as Executive KMP for the financial year. A summary of Executive KMP during the current and prior financial year is shown in Table 1.1 below.

Table 1.1: Executive KMP

Name	Position	FY21	FY20
Grant Kelley	CEO and Managing Director (CEO)	✓	✓
Peter Huddle	Chief Operating Officer (COO)	✓	✓
Nick Schiffer[1]	Chief Financial Officer (CFO)	✓	Part-year (commenced 2 September 2019)

✓ KMP for full year

× not a KMP during the year

1. As announced on 30 June 2021, Nick Schiffer resigned from the role of CFO and left the business on 1 July 2021. The quantitative disclosures in this report have been determined based on 30 June 2021 being the effective date of cessation of employment.

The list of Non-executive Directors during the current and prior financial year is included in section 5.2.

2. Remuneration framework

2.1 Reward principles and framework

The objective of Vicinity's remuneration framework is to build capability by attracting, retaining and engaging a talented executive team capable of managing and enhancing the business, while aligning their actions with securityholder interests. We recognise that remuneration represents just one of the factors that enables the attraction and retention of talent. We also seek to engage our executives over the long term and to provide challenging work and development opportunities. This is assisted through linking executive remuneration to both short and long-term Company performance. Our framework encourages executives to focus on creating long-term value and growth and complements our purpose of enriching community experiences while ensuring that short-term actions do not have a detrimental effect in the longer term.

The diagram below provides an overview of how our reward principles are linked to the components of our remuneration framework and how these components are measured to ensure that executive and securityholder interests are aligned.

Reward principles

Attract, retain and engage high-performing executives	Demonstrate the link between performance, strategy execution and reward	Encourage executives to manage from the perspective of securityholders

Remuneration framework

Components	Considerations / performance measures	Alignment with strategy and performance
Total Fixed Remuneration (TFR) *Base salary, superannuation and any salary sacrifice amounts.* Further details are included in section 4.1. +	Considerations in setting TFR include: • external Australian benchmarking and internal relativities. • the size, scope and complexity of the role. • the individual's experience, skills, capability and performance.	• Remuneration set at competitive levels, to attract, retain and engage key talent.
Short Term Incentive (STI) *Annual STI opportunity, 12-month performance period subject to performance targets.* *50% paid in cash and 50% deferred into equity (24-month deferral for the CEO and two equal amounts payable after 12 months and 24 months respectively for other Executive KMP).* Further details are included in section 4.2. +	Executives are assessed against a scorecard of financial and non-financial measures: • **Financial:** measures include funds from operations, net property income, corporate cost management as well as any other measures relevant for the financial year. • **Strategy and portfolio enhancement:** measures relate to portfolio enhancement, the development pipeline (including mixed-use), funds/assets under management, capital and cost management, alternative income streams and operational efficiencies. • **Leadership, governance and operational excellence:** measures relate to corporate reputation and sustainability, people, organisational capability, innovation, diversity and inclusion and risk and compliance management.	• Financial measures relate to Vicinity's capacity to pay distributions and generate securityholder returns. • Strategy and portfolio enhancement measures focus on asset and business performance, development projects and the long-term strategic direction of Vicinity. • Leadership, governance and operational excellence measures aim to promote a culture and behaviours that drive Company performance, operational excellence, innovation and reflect our long-term objectives.
Long Term Incentive (LTI) *Performance rights, four-year performance period for awards granted from and including FY20.* For FY21, a one-off grant of discounted restricted rights was granted in lieu of the Total Return (TR) performance rights. Further details are included in section 4.3.	The performance rights vest subject to achievement of an: • internal hurdle based on TR – not applicable for the FY21 LTI • external hurdle based on Total Securityholder Return (TSR) relative to the S&P/ASX 200 A-REIT (Australian Real Estate Investment Trust) Index, excluding Unibail Rodamco Westfield (ASX:URW) The restricted rights granted for FY21 vest subject to ongoing employment and effective performance as assessed by the Board, taking into consideration the financial, strategy, portfolio, leadership, risk, governance and other applicable objectives over the respective performance periods.	• The LTI aligns a significant portion of overall remuneration to securityholder value over the longer term. • Encourages sustainable high performance over the medium to long term and securityholder value creation. • Provides a retention element. • TR measures the extent to which Vicinity efficiently manages and extracts value from Vicinity's assets and alignment with underlying growth in securityholder value. • Relative TSR hurdle aligns remuneration with Vicinity's long-term return relative to the nominated peer group. • Restricted rights support retention, engagement and the competitiveness of the remuneration package and provide alignment with securityholder experience.

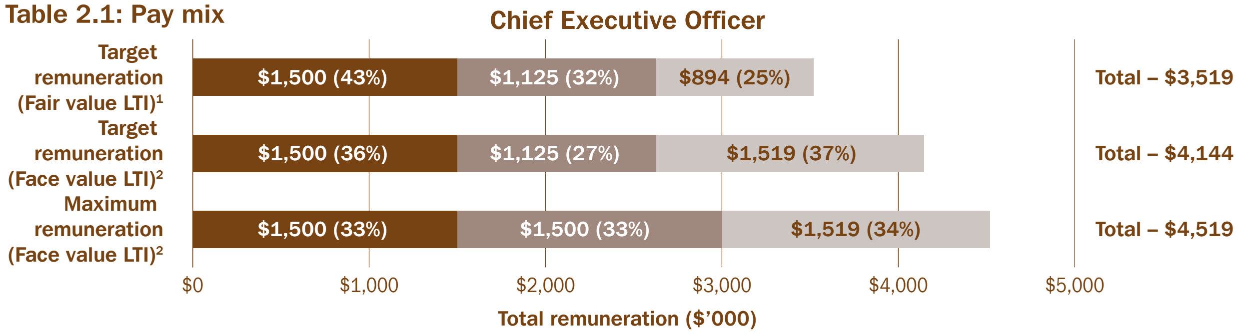
2. Remuneration framework continued

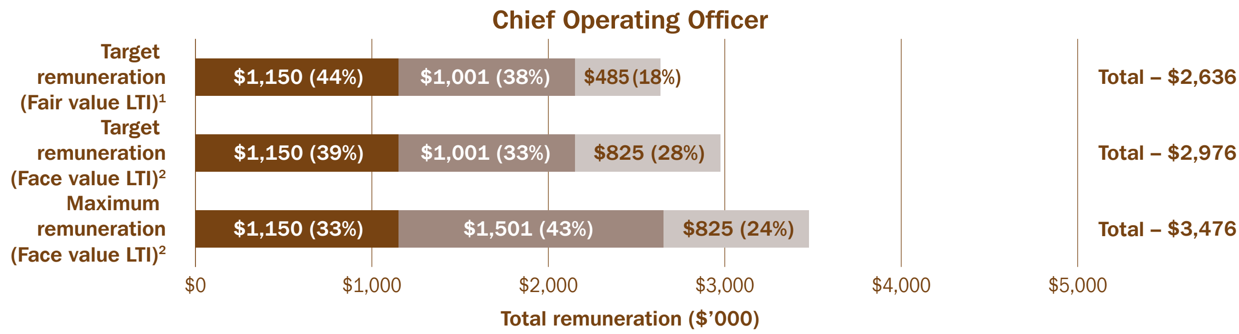
2.2 Pay mix

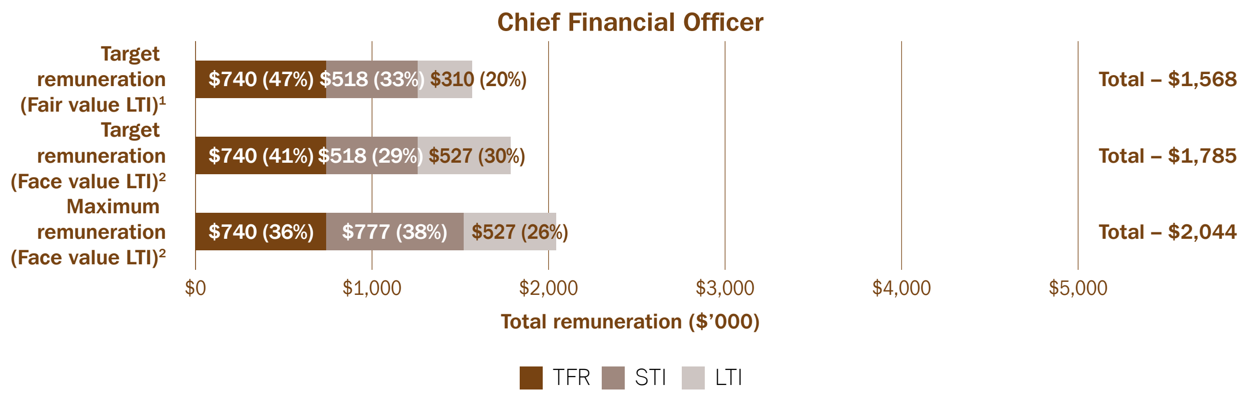
A significant component of executive remuneration is linked to short and long-term Company performance to assist in aligning executive interests with those of securityholders. The components of total remuneration and the relative weightings of the fixed and at-risk components of total target remuneration (using fair value and face value of the FY21 LTI granted on 11 December 2020) and total maximum remuneration (using face value of the FY21 LTI) for the Executive KMP are detailed in Table 2.1 below.

The LTI fair value is the value of the LTI calculated in accordance with AASB 2 *Share Based Payments* and takes into account the probability of performance hurdles being achieved for the TSR rights and the time value of the four-year vesting period for the TR performance rights and restricted rights. The LTI face value has not been adjusted for the probability of performance targets being achieved or potential changes in security price.

Table 2.1: Pay mix



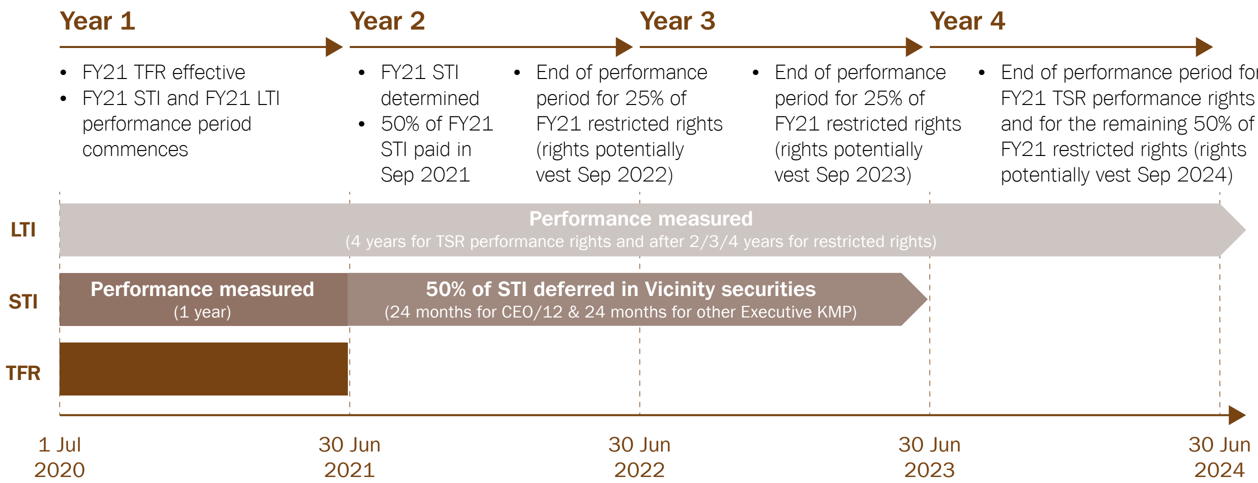




1. Includes LTI based on the fair value of the FY21 performance rights and restricted rights awarded at the time of grant, valued in accordance with AASB 2 *Share Based Payments*.
2. Includes LTI based on the face value of the FY21 performance rights and restricted rights awarded at the time of grant, which differs from the fair values, which are valued in accordance with AASB 2 *Share Based Payments*.
3. The FY21 target and maximum remuneration is lower than FY20 due to the 50% discount applied for the one-off use of restricted rights.

Table 2.2: When remuneration is delivered

The diagram below provides a timeline of when remuneration is delivered, using FY21 as an example.



3. Company performance and executive remuneration outcomes

3.1 Overview of Company performance

As detailed earlier (refer to page 21 in the Annual Report for additional detail), the disruptive impacts of COVID-19 continued into FY21. The most material impact was 12 weeks of Stage 4 lockdown across Melbourne between August and October 2020, where half of Vicinity's shopping centres (by value) and where most employees are located.

Localised outbreaks around Australia also resulted in numerous shorter-term lockdowns across capital city metropolitan areas, notably in the second half of FY21 (2H FY21) however retail sector activity showed signs of stabilisation and resilience. When restrictions eased, consumers were quick to return to retail centres with confidence and capacity to spend. In states that have remained largely COVID-free, visitation remained close to pre-COVID levels and retail sales grew in 2H FY21 relative to the same period in FY19.

In an environment of adjusting to small COVID-19 outbreaks, Vicinity management worked through stabilising the business and moving towards a new normalised way of working. In addition to working through 6,772 COVID-related lease variations, the leasing team completed 1,257 leasing deals (FY20: 824), with increased momentum from February 2021 and focusing on maintaining occupancy and extending lease tenure. While leasing spreads softened throughout the year to average -12.7% over FY21 (FY20: -4.0%), portfolio occupancy stabilised and ended the year at 98.2% (Jun-20: 98.6%, Dec-20 98.0%).

In terms of rent collection; recovering economic conditions, adapting to COVID-19 and the end to the initial SME Code on 31 March 2021, enabled Vicinity to gain momentum on completing the large majority of COVID-19 relief agreements with tenants and collect outstanding rent.

In a year of reduced capital expenditure, the development team accelerated project planning with 12 development approvals received, and two major town planning applications made. These activities are part of the initial works in the lead-up to transformational retail and mixed-use development projects, which are expected to commence in stages from FY22.

Prudent financial and capital stewardship during the year enabled Vicinity to maintain a strong balance sheet with significant liquidity and gearing at June 2021 of 23.8%. This resulted in two ratings agencies affirming their investment grade credit ratings of Vicinity. In July 2020, S&P affirmed its A-rating with a stable outlook, and in June 2021 Moody's affirmed its A2 rating and raised its outlook from negative to stable.

Table 3.1 highlights key FY21 business performance metrics and executive remuneration outcomes. Further detail on these metrics and achievements is contained in Table 3.4.

3. Company performance and executive remuneration outcomes continued

Table 3.1 highlights key FY21 business performance metrics and executive remuneration outcomes. Further detail on these metrics and achievements is contained in Table 3.4.

Table 3.1: Company performance and executive remuneration overview

What Vicinity achieved | **What executives received**

FY21 performance

- Financial performance was strong when compared to forecasts at the start of FY21.
- FFO was $558.8 million, up 7.4% compared to FY20.
- On a per security basis, FFO was 12.28 cents, down 10.1% compared to FY20.
- Distribution per security was 10.0 cents, up from 7.7 cents in FY20.
- Progressed strategic and portfolio objectives:
  - completed 6,772 COVID-19 lease variations and 1,257 new leasing deals;
  - achieved 12 approvals and lodged two town planning applications for retail and mixed-use development projects;
  - divested Milton Village at a premium to book value;
  - delivered a number of data products for leasing, retailers and operations; and
  - maintained membership of CDP's Climate A-List.
- Refer to further commentary within Table 3.4.

FY21 fixed remuneration

- In FY21, other than for new appointments to the EC, the fixed remuneration for the CEO, Executive KMP and all other members of the EC remained unchanged.

FY21 STI outcomes

- When reviewing the FY21 STI outcomes for Executive KMP against Company performance, the Board considered the impact of COVID-19, as well as reviewing the guidelines released by the Australian Securities and Investments Commission (ASIC) on executive variable pay decisions and determined to make a circa. 41% downward adjustment to the FY21 STI financial measure outcomes to ensure alignment with securityholder experience.
- The unadjusted and adjusted FY21 STI outcomes for Executive KMP, presented as a percentage of the maximum STI opportunity, are summarised below.

	Unadjusted FY21 STI outcome % of maximum	Adjusted FY21 STI outcome % of maximum
CEO	63.0	51.8
COO	63.3	53.3
CFO	43.3	33.3

- Additional information is provided in section 3.3.

Three-year performance period (1 July 2018 – 30 June 2021)

- TSR for the three-year period to 30 June 2021 was -30.4% (or -11.4% per annum compound), which was below the level required for threshold vesting. The TSR over FY20 had a significant impact on the TSR over the performance period.
- A compound annual TR per annum of -6.3% was achieved over the performance period[(a)], which was below the level required for threshold vesting. Asset devaluations for FY20 and FY21 had a significant impact on the TR over the performance period.

LTI outcomes

- There was no vesting of performance rights granted under the FY19 LTI plan. This was the second consecutive year of nil vesting under the LTI.
- Additional information is provided in section 3.4.

(a) Refer to section 4.3 for a description of the calculation of the compound annual TR.

Table 3.2 below summarises details of Vicinity's financial performance for the current and past four financial years.

Table 3.2: Five-year securityholder performance metrics

COVID-19 continued to impact valuations and earnings. Discretionary retail has been impacted the most, while non-discretionary retail has performed relatively well. Vicinity's TSR for FY21 was the highest of the five-year history at +15.0%, but was at the lower end of the broader TSR comparator group.

Securityholder performance metrics	FY17	FY18	FY19	FY20	FY21
Security price as at 30 June ($)[a]	2.57	2.59	2.45	1.43	**1.54**
Net tangible assets per security ($)[b]	2.82	2.97	2.92	2.29	**2.13**
Distributions declared per security (cents)	17.3	16.3	15.9	7.7	**10.0**
TR[c]	15.5%	11.1%	3.7%	(18.6%)	**(2.6%)**
TSR of VCX for the year ended 30 June[d]	(17.7%)	7.0%	0.6%	(39.9%)	**15.0%**
TSR of the S&P/ASX 200 A-REIT Index[d]	(6.3%)	13.0%	19.3%	(21.3%)	**33.2%**

(a) Security price as at the last trading day of the financial year.
(b) Calculated as Balance Sheet net assets less intangible assets, divided by the number of stapled securities on issue at period end. Includes right of use assets and net investments in leases.
(c) Calculated at period end as: change in NTA during the year + distributions declared)/opening NTA. As explained in section 3.4, certain adjustments may be made to the TR outcome included in this table for the purposes of determining the vesting of LTI awards.
(d) TSR is calculated as the combination of security price movement from the opening security price, plus distributions (assumed to be reinvested) over the period, expressed as a percentage. Source: UBS.

3.2 Fixed Remuneration outcomes

Summary

Vicinity reviews the fixed remuneration component of Executive KMP packages annually to ensure they remain competitive to attract, retain and engage key talent. External benchmarking is undertaken periodically that incorporates the size, scope and complexity of each role, which is overlaid with an individual's experience, capability and performance to determine their fixed remuneration.

Outcomes

In FY21, other than for new appointments to the EC, the fixed remuneration for the CEO, Executive KMP and all other members of the EC remained unchanged. Fixed remuneration for the Executive KMP will remain unchanged in FY22.

3.3 FY21 Short Term Incentive (STI) outcomes

Summary

Vicinity's STI provides Executive KMP and other members of the EC with the opportunity to be rewarded for achieving a combination of Vicinity's financial, strategy and portfolio enhancement, and leadership, governance and operational excellence performance objectives through an annual performance-based reward. Many of these objectives contribute towards medium to long-term performance outcomes aligned to Vicinity's strategy. The STI outcome for Executive KMP was weighted against the three performance categories as outlined in Table 3.3.

Specific measures for individuals are set within these performance categories and are approved by the Board. Further details of the STI are set out in section 4.2.

Access to the STI is normally contingent on the achievement of a FFO gateway of 97.5% of target. This ensures that a minimum financial hurdle must be met before any incentive is paid. If the gateway is achieved, performance for each measure is assessed on a range from 'threshold' to 'maximum'. Maximum is set at a level that ensures that the maximum amount of STI is payable only when performance has significantly exceeded target measures.

The FFO gateway did not apply for FY21, given the extreme difficulties with setting robust financial targets. The Board assessed overall FY21 performance against the financial and other measures, taking into consideration overall securityholder experience and expectations.

Further detail on the assessment against the performance categories and measure are included in Tables 3.3 and 3.4. Details of the FY21 STI outcomes for Executive KMP are included in Table 3.5.

Outcomes

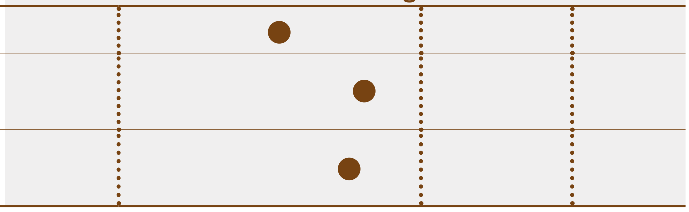
Tables 3.3, 3.4 and 3.5 outline performance against FY21 measures.

3. Company performance and executive remuneration outcomes continued

Table 3.3: FY21 Executive KMP performance level achieved

Most objectives included in the strategy and portfolio category have financial milestones and budgets and will significantly impact financial performance. The combined financial and strategic and portfolio enhancement category weightings for each Executive KMP was 70%.

Performance category	Weighting at target	Performance level achieved[1] (Minimum / Target / Maximum)
Financial	40%	
Strategic and portfolio enhancement	30%	
Leadership, governance and operational excellence	30%	



1. The circles represent the average outcome achieved by the Executive KMP. Please refer to Table 3.4 for more detail on business performance against FY21 measures.

Table 3.4: Executive KMP performance against FY21 measures

Performance category and weighting[1]	Performance measure	Reason chosen	Performance outcome
Financial (40%)	Funds from operations (FFO), net property income (NPI), COVID-19 rent relief variation agreements, retailer cash collection and corporate cost efficiencies.	FFO and NPI are key financial measures of performance, COVID-19 rent relief variation agreements and retailer cash collection are critical measures relating to recovery from the pandemic.	• FFO up 7.4% to $558.8 million. • FFO per security down 10.1% to 12.28 cents impacted by the successful equity raising in June 2020, which significantly strengthened Vicinity's Balance Sheet, enabling us to withstand the challenges of the pandemic whilst maintaining our investment-grade credit ratings. • NPI up 8.6% to $746.6 million largely driven by the reversal of rental provisions and waivers in respect of FY20 following an improvement in cash receipt trends as trading conditions began to stabilise in the second half of FY21. • Distribution per security of 10.0 cents, including a one-off component of 2.5 cents attributable to several one-off items recognised in FY21, including reversal of waivers and provisions recognised in FY20, lower net interest costs following the swap restructure in FY20, elevated surrender fees and temporarily reduced corporate overheads. This compares to 7.7 cents paid in FY20. • Completed 6,772 COVID-related lease variations[2]. • Completed 1,257 new leasing deals. • Rent cash collection improved to 93% net of agreed waivers for FY21. • Achieved significant savings in employment and discretionary overhead costs offset by resumption of STI accruals (not paid in FY20), insurance costs, and lower capitalised employee costs.
Strategy and portfolio enhancement (30%)	Objectives linked to portfolio enhancement, the development pipeline (including mixed-use), funds management, capital and cost management, alternative income streams and operational efficiencies.	Developing and implementing Vicinity's key strategic initiatives will underpin future value creation opportunities and growth. Focus on improving portfolio quality and operational efficiency will underpin sustainable performance.	• Divested Milton Village at a premium to book value. • Whilst Vicinity focused on capital preservation in FY21, management advanced retail and mixed-use development planning, receiving 12 approvals across Chadstone, Sunshine Marketplace, Bayside, Emporium Melbourne and Bankstown Central and lodged two major town planning applications at Bankstown Central, Box Hill Central and Victoria Gardens. • Divested two assets in line with wholesale fund mandates. • Ancillary income declined 11.4% in FY21 largely driven by a reduction in carpark and casual mall leasing income. With improving conditions and centre visitation throughout the year, ancillary income in 2H FY21 increased by 19.4% (after first half decline of 36.2%) driven by income from casual mall leasing, digital screens and advertising, and car parking. • Achieved material operational cost savings whilst managing through COVIDSafe requirements.

Performance category and weighting[1]	Performance measure	Reason chosen	Performance outcome
Leadership, governance and operational excellence (30%)	Objectives linked to corporate reputation and sustainability, people, organisational capability, innovation, diversity and inclusion, and risk and compliance management.	Non-financial objectives underpin growth and sustainability of our business.	• Strengthened sustainability credentials, continuing to be one of only three Australian companies to be included in CDP's Climate A-list; ranked in top 10 organisations in NABERS Sustainable Portfolio Index with NABERS Energy rating of 4.4 stars. • Released inaugural Modern Slavery Statement relating to FY20 activities and continued to improve modern slavery practices during FY21. • Delivered a number of technology-driven projects including contactless click and collect, leasing optimisation tool, retailer analytics tool and piloted drone delivery. • Launched *The Vicinity Way*, a systemic change program intended to drive cultural change, build capability of our people and increase execution velocity to deliver commercial performance over time. • EC operating model review complete and realignment of roles/functions implemented, enhancing role clarity and efficiency. • No material compliance or safety events and a strong safety culture continued to be demonstrated.

1. The weightings for each category were revised slightly from FY20 to better reflect the areas of focus for FY21. The Financial category weighting was increased from 35% to 40%; the Strategy and portfolio enhancement category weighting was reduced from 40% to 30% and the Leadership, governance and operational excellence category weighting was increased from 25% to 30%.
2. Since April 2020.

Table 3.5: FY21 STI outcomes for Executive KMP

Executive KMP	Target STI as % of TFR	Maximum STI opportunity as % of TFR[1]	Actual STI awarded ($)	% of target STI opportunity awarded[2]	% of maximum STI opportunity awarded	% of maximum STI opportunity forfeited
Grant Kelley	75%	100%	776,250	69.0	51.8	48.2
Peter Huddle	87%	130.5%	800,350	80.0	53.3	46.7
Nick Schiffer	70%	105%	259,000	50.0	33.3	66.7

1. The maximum STI opportunity as % of TFR is the theoretical maximum the Executive KMP can receive. The maximum STI opportunity as a percentage of the target opportunity is 1.33 times and 1.5 times respectively for the CEO and other Executive KMP.
2. Includes an overall reduction to the '% of target STI opportunity awarded' of 15% due to the downward adjustment to the FY21 STI financial measure outcomes as noted in Table 3.1.

3.4 FY21 Long Term Incentive (LTI) outcomes and FY21 LTI grant

Summary

The three-year performance period for the FY19 LTI grant (FY19 LTI) commenced on 1 July 2018 and ended on 30 June 2021. The FY19 LTI provided an opportunity for Executive KMP, other members of the EC and other senior executives to receive a grant of performance rights, subject to the achievement of TSR and TR performance hurdles. If any portion of the FY19 LTI vested, the vested rights would be subject to a 12-month holding lock following the end of the performance period.

For LTI grants made from FY20, the performance period for performance rights is four years and there is no holding lock. Please refer to section 4.3 for further details of the LTI plan, including details of the performance period for the restricted rights granted in FY21.

LTI outcomes for the three-year performance period ended 30 June 2021

The FY19 LTI grant was tested at 30 June 2021. The compound annual TR per annum achieved over the performance period was below the level of 9.0% required for threshold vesting. The TR outcome was impacted significantly by asset devaluations during FY20 and FY21, mainly due to the impacts of COVID-19. The relative TSR ranking over the performance period against the TSR comparator group (comparator group) resulted in nil vesting against this measure (the target required for full vesting against this measure was a ranking of greater than or equal to the 75th percentile), with COVID-19 impacting discretionary retail more significantly than other property asset classes. The combined vesting outcome for the FY19 LTI was therefore nil.

Details of all current LTI holdings for Executive KMP are included in section 4.5.

3. Company performance and executive remuneration outcomes continued

3.4 FY21 Long Term Incentive (LTI) outcomes and FY21 LTI grant continued

FY21 LTI grant

The FY21 LTI grant (FY21 LTI) was made to the Executive KMP, other members of the EC and other senior executives with effect from 1 July 2020, with a four-year performance period that ends on 30 June 2024. The FY21 LTI grant for the CEO was supported by securityholders at the AGM. Table 3.6 shows the number of performance rights and restricted rights granted to the Executive KMP under the FY21 LTI. The number of rights granted was allocated using the 'face value' methodology. The fair value of the rights at grant date are also included in Table 3.6. Fair values are calculated in accordance with AASB 2 *Share Based Payments*.

As outlined, the performance rights may vest after four years provided the TSR hurdle is met and the restricted rights may vest in September 2022 (25%), September 2023 (25%) and September 2024 (50%), subject to ongoing employment and effective performance as assessed by the Board. At the time of grant, the staggered vesting of the restricted rights had regard to the cancellation of the FY20 STI and associated deferred FY20 STI, and the LTI grants currently on foot being unlikely to vest. Further details on the LTI performance hurdles are included in section 4.3.

Table 3.6: FY20 LTI grants

Executive KMP	Grant date	Face value of rights on grant date ($)	Number of performance rights[1]	Number of restricted rights[1]	LTI face value as a percentage of TFR at grant date[2] (%)	Fair value of rights on grant date[3] ($)	LTI fair value as a percentage of TFR at grant date (%)
Grant Kelley	11 December 2020	1,518,750	610,013	305,006	101.25%	893,669	59.6%
Peter Huddle	11 December 2020	825,000	331,365	165,682	71.74%	485,449	42.2%
Nick Schiffer	11 December 2020	527,250	211,772	105,886	71.25%	310,246	41.9%
Total		**2,871,000**	**1,153,150**	**576,574**		**1,689,364**	

1. The grants made to Executive KMP represent the face value LTI opportunity with effect from 1 July 2020. The security price used in the calculation is the volume weighted average price (VWAP) of Vicinity's securities 10 trading days immediately following the 2020 Annual General Meeting of $1.6598.
2. The face value of the FY20 LTI for Grant Kelley, Peter Huddle and Nick Schiffer was 135%, 95.65% and 95% of their TFR respectively. The face value of the FY21 LTI was reduced by 25% compared to prior years as the face value of the restricted rights was equal to 50% of the face value of the TR performance rights that they replaced.
3. Calculated based on a fair value per right of:

Grant date	Restricted rights ($)	TSR rights ($)	Overall fair value of LTI grants ($)	Overall fair value of LTI grants as a % of face value
11 December 2020	1.67	0.63	0.98	58.8

The fair value of the performance rights and restricted rights as at the grant date was valued by independent consultants. The valuation of the TSR performance rights incorporates the probability of achieving market conditions whereas the valuation of restricted rights does not. This results in a lower fair value for TSR performance rights than for restricted rights. Further details on the assumptions used to determine the fair value of the performance rights and restricted rights and the accounting for expenses relating to performance rights and restricted rights are included in Note 15 to the Financial Report. The minimum total value of the grant to the Executive KMP is nil should none of the applicable performance conditions be met.

3.5 Statutory remuneration tables

Table 3.7 below details the remuneration received by each Executive KMP during the current and prior year. This table has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and relevant Australian Accounting Standards. The figures provided under the performance rights and STI deferred columns are accounting values and do not reflect actual payments received or the full value of future deferred entitlements awarded during the year.

Table 3.7: Executive KMP remuneration for FY21 and FY20

		Short-term benefits			Other benefits	Share based payments		Post-employment			
Current Executive KMP	Period	Base salary[1] ($)	STI cash[2] ($)	Non-monetary[3] ($)	Leave entitlements[4] ($)	Performance rights[5] ($)	STI deferred[6] ($)	Superannuation contributions ($)	Termination benefits[7] ($)	Total ($)	% Performance-related[8]
Grant Kelley	**FY21**	**1,486,367**	**388,125**	**7,179**	**105,108**	**503,113**	**269,872**	**21,694**	**-**	**2,781,458**	**42%**
	FY20	1,381,031	-	6,319	29,198	(10,402)	140,881	21,003	-	1,568,030	8%
Peter Huddle	**FY21**	**1,180,025**	**400,175**	**3,641**	**144,065**	**186,382**	**204,879**	**21,694**	**-**	**2,140,861**	**37%**
	FY20	1,094,266	-	3,086	8,709	41,962	75,862	21,003	-	1,244,888	9%
Nick Schiffer	**FY21**	**731,892**	**259,000**	**3,415**	**61,350**	**32,270**	**-**	**21,694**	**397,000**	**1,506,621**	**19%**
	FY20	518,525	-	2,634	2,024	26,817	-	18,633	-	568,633	5%
Total Executive KMP	**FY21**	**3,398,284**	**1,047,300**	**14,235**	**310,523**	**721,765**	**474,751**	**65,082**	**397,000**	**6,428,940**	**35%**
	FY20	2,993,822	-	12,039	39,931	58,377	216,743	60,639	-	3,381,551	8%

1. Base salary includes the annual leave expense recognised in the financial statements for the period in accordance with AASB 119 *Employee Benefits*. Accordingly, Base salary plus Superannuation contributions may differ in any given period to the TFR amounts included in Table 2.1.
2. The cash component is 50% of the STI awarded for Executive KMP (including the CEO) and where applicable is paid in September following the end of the financial year. No STI amount was payable with respect to FY20. Nick Schiffer's FY21 STI is not subject to deferral into securities and will be paid fully in cash in September 2021.
3. Non-monetary benefits include death and total permanent disability and salary continuance insurance premiums paid by Vicinity on behalf of the Executive KMP.
4. Leave entitlements reflect long service leave accrued for the period.
5. Under Australian Accounting Standards the remuneration expense for performance rights and restricted rights is based on their grant date fair value calculated in accordance with AASB 2 *Share Based Payments*. For the TSR performance rights and restricted rights, the fair value determined is progressively expensed over the vesting period of four years, regardless of the ultimate vesting outcome. For TR performance rights, the fair value is also progressively expensed over the vesting period; however, is reassessed and adjusted to reflect the amount ultimately expected to vest. In FY20 an assessment of the likelihood of the TR threshold being met resulted in no expense being recognised for the FY20 TR performance rights for each Executive KMP. A reassessment of the likelihood of the FY19 TR being met has resulted in the reversal of expenses recognised in prior periods and a negative expense recognised for Grant Kelley. The amount included as remuneration is not related to or indicative of the benefit (if any) that Executive KMP may ultimately realise should the performance rights or restricted rights vest.
6. 50% of the STI is deferred into restricted securities. For the CEO, the deferred securities vest 24 months following the date of deferral. For other Executive KMP, deferred securities awarded prior to FY20 vested 18 months following the date of deferral. Any deferred securities awarded to Executive KMP from and including FY20 vest equally 12 and 24 months following the date of deferral. There was no STI awarded for FY20 and accordingly there were no deferred STI restricted securities granted for FY20. The value of STI deferred into securities (and as reported in this table) has been expensed over the relevant vesting period.
7. The termination benefits for Nick Schiffer include a payment in lieu of notice of $370,000 and other benefits valued at $27,000. Inclusive of the FY21 STI award of $259,000, which is disclosed separately as 'STI cash' and the FY21 fair value expense of $59,087 for the restricted rights remaining on foot which is included as part of the 'Performance and restricted rights' amount, the total termination benefits are $715,087.
8. Represents the sum of STI cash, performance and restricted rights and STI deferred divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year.

3. Company performance and executive remuneration outcomes continued

3.6 Non-statutory remuneration

Table 3.8: Actual remuneration table

The table below details the value of 'actual' remuneration or 'take home pay' received by each Executive KMP during the current and prior year. The figures in the table differ from those in the statutory remuneration table (Table 3.7), which is prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and Australian Accounting Standards, because the statutory table spreads the value of all equity grants (including STI deferred awards) across the relevant performance/vesting periods and includes long service leave accrued for the period. The 'actual' remuneration table includes any remuneration that was previously deferred that has become unconditional or unrestricted. These amounts therefore represent 'actual' remuneration for FY21, even though they were awarded in prior financial years.

Fixed remuneration for Executive KMP remained unchanged in FY21; however, the base salary amounts disclosed in Table 3.8 are higher than in FY20 due to the 20% reduction in fixed remuneration for Executive KMP for the period 1 April – 30 June 2020. Nick Schiffer's base salary for FY21 also reflected his first full year as CFO, with FY20 representing part-year remuneration for the period from 2 September 2019 to 30 June 2020. The FY20 STI was cancelled and the maximum STI opportunity as percentage of TFR for FY21 was unchanged from FY20.

		Base salary and other benefits				Share based payments			
Executive KMP	Period	Base salary[1] ($)	Superannuation contributions[1] ($)	Non-monetary benefits[1] ($)	STI cash[1] ($)	Release of STI deferred[2] ($)	Sign-on bonus released[3] ($)	Termination benefits[4] ($)	Total actual remuneration ($)
Grant Kelley	**FY21**	**1,486,367**	**21,694**	**7,179**	**388,125**	**252,723**	**-**	**-**	**2,156,088**
	FY20	1,381,031	21,003	6,319	-	135,555	70,972	-	1,614,880
Peter Huddle	**FY21**	**1,180,025**	**21,694**	**3,641**	**400,175**	**83,585**	**-**	**-**	**1,689,120**
	FY20	1,094,266	21,003	3,086	-	-	-	-	1,118,355
Nick Schiffer	**FY21**	**731,892**	**21,694**	**3,415**	**259,000**	**-**	**-**	**397,000**	**1,413,001**
	FY20	518,525	18,633	2,634	-	-	-	-	539,792
Total Executive KMP	**FY21**	**3,398,284**	**65,082**	**14,235**	**1,047,300**	**336,308**	**-**	**397,000**	**5,258,209**
	FY20	2,993,822	60,639	12,039	-	135,555	70,972	-	3,273,027

1. As per Table 3.7.
2. Amounts for FY20 represent the release of 94,794 securities for Grant Kelley under the FY18 Deferred STI following the two-year holding lock period, which ended on 30 June 2020 based on a security price of $1.43. Amounts for FY21 represent the release of 163,575 securities for Grant Kelley under the FY19 Deferred STI following the two-year holding lock period, which ended on 30 June 2021 based on a security price of $1.545, and the release of 52,078 securities for Peter Huddle under the FY19 Deferred STI following the 18-month holding lock period which ended on 31 December 2020 based on a security price of $1.605. Refer to Table 3.9 for further details.
3. Upon commencement, Grant Kelley received a sign-on bonus in the form of 57,006 restricted securities with a face value of $160,297. The value for FY20 represents the 28,503 securities released on 1 January 2020 based on a share price on release of $2.49.
4. As per table 3.7.

Table 3.9: Deferred STI for KMP

The holding lock for the deferred STI restricted securities granted to the CEO and COO for the FY19 year (in which the CFO did not participate) ended during FY21. Table 3.9 below details the number of securities released to the CEO and COO following the end of the respective holding locks.

Executive KMP	Date of grant	Deferred STI award	Value of deferred equity at time of grant ($)	Number of restricted securities allocated[1]	Holding lock end date	Market value of securities released[2] ($)
Grant Kelley	1 July 2019	FY19	421,875	163,575	30 June 2021	252,723
Peter Huddle	1 July 2019	FY19	134,314	52,078	31 December 2020	83,585

1. The VWAP used to calculate the number of securities allocated at the time of grant was $2.5791.
2. Based on a security price on 30 June 2021 of $1.545 for Grant Kelley and a security price on 31 December 2020 of $1.605 for Peter Huddle.

4. Executive remuneration – further information

This section contains further details of the three components of Executive KMP remuneration being:

- fixed remuneration
- STI
- LTI

4.1 Fixed remuneration

Fixed remuneration comprises base salary and leave entitlements, superannuation contributions and any salary sacrifice amounts (for example, motor vehicle leases). Vicinity aims to provide a competitive level of fixed remuneration to attract, retain and engage key talent. External benchmarking is undertaken that incorporates the size, scope and complexity of each role, which is overlaid with an individual's experience, capability and performance to determine their fixed remuneration.

4.2 STI

Refer to section 3.3 for a summary of the STI outcomes for FY21.

STI arrangements

Opportunity		FY21 STI opportunity at a target level of performance as % of TFR	FY21 STI maximum opportunity as % of TFR	Maximum STI as a multiple of the target opportunity for exceptional individual and Vicinity performance
	Grant Kelley (CEO)	75%	100%	1.33 times
	Peter Huddle (COO)	87%	130.5%	1.5 times
	Nick Schiffer (CFO)	70%	105%	1.5 times

Performance measurement period	The STI performance measurement period is the full financial year. Where an Executive KMP commences employment during the year, their STI is evaluated and paid on a pro-rata basis. Where an Executive KMP ceases employment during the year, if the STI is not forfeited, it is evaluated and paid on a pro-rata basis. Payment is made at the normal payment date applicable to other employees.
Grant date, payment and deferral	STI is provided as a combination of cash and deferred equity. 50% of the STI is deferred into equity for a period of 24 months for the CEO and into two equal amounts payable after 12 months and 24 months respectively for other Executive KMP. Dividends are paid on the deferred equity component during the deferral period. Outcomes are calculated following the Board's review of Vicinity's FY21 audited financial results and any cash component is typically paid in September following the end of the financial year.
Performance targets and measurement	Section 3.3 provides a detailed summary of the performance objectives and measures and the subsequent results for Executive KMP for FY21. Performance objectives for FY21 were finalised by the Board in the case of the CEO, and by the CEO and the Committee in the case of other Executive KMP. The Committee, with input from the Chairman of the Board, assesses the CEO's performance against his objectives and makes the recommendation to the Board for final determination. The CEO assesses the performance of all other Executive KMP and other EC members relative to their individual objectives and makes recommendations to the Committee for final determination.

4. Executive remuneration – further information continued

4.3 LTI

Refer to section 3.4 for a summary of the LTI and outcomes for FY21.

LTI arrangements

Type of equity awarded	Performance rights Rights to Vicinity stapled securities at a future time for nil consideration, subject to the achievement of agreed performance hurdles at the end of the performance period (as set out below). Until the performance rights vest, an Executive KMP has no entitlement to receive dividends or distributions from, nor legal or beneficial interest in, and no voting rights associated with, the underlying stapled securities. Restricted rights As a one-off change for FY21 only, Executive KMP and other LTI participants were granted restricted rights in lieu of the TR performance rights that have historically been granted. The face value of the restricted rights was equal to 50% of the face value of the TR performance rights that they replaced. The Board believes that the 50% discount to the face value of the TR performance rights typically granted is appropriate given the more certain vesting outcome for the restricted rights. Executive KMP and other LTI participants who were granted restricted rights will receive distribution equivalent securities at the time of vesting equal to the distributions that would have been paid had they received distributions on the restricted rights up until the vesting date. The number of distribution equivalent securities will be calculated based on the distributions that would have been paid on the vested securities up until the vesting date, divided by the VWAP over the five trading days commencing on the first trading day immediately following the annual results announcement for the financial year ended prior to each respective vesting date. Stapled securities allocated on vesting of restricted rights will carry the same dividend, distribution and voting rights as other stapled securities issued by Vicinity.
Performance period	For awards granted from and including FY20, four years. For awards granted prior to FY20, three years plus a 12-month holding lock, which is subject to continued service, except where varied as described in section 4.4. During the holding lock period, the conditionally vested performance rights cannot be traded, but the holder is entitled to receive dividends, distributions and vote. The restricted rights granted for FY21 have a performance period as follows:

Percentage of restricted rights vesting	Performance period	Anticipated time of vesting
25%	1 July 2020 – 30 June 2022	Early September 2022
25%	1 July 2020 – 30 June 2023	Early September 2023
50%	1 July 2020 – 30 June 2024	Early September 2024

Performance hurdles	Performance rights Allocations of performance rights prior to FY21 are tested against two performance hurdles at the relevant vesting date: • 50% are subject to the achievement of relative TSR[1] • 50% are tied to the achievement of TR[2] Each hurdle will be measured independently at the end of the respective performance periods. The performance rights granted for FY21 are subject to the achievement of relative TSR[1]. Restricted rights The restricted rights granted for FY21 will vest in accordance with the schedule set out above, subject to ongoing employment and effective performance as assessed by the Board, taking into consideration the financial, strategy, portfolio, leadership, risk, governance and other applicable objectives over the respective performance periods. The Board retains the discretion to amend the level of vesting of the Restricted Rights to ensure the award outcomes are not unreasonable and that unintended windfall gains are avoided. In exercising its discretion, the Board will consider overall business performance and securityholder experience over the vesting period, as well as significant risk or conduct issues since the awards were granted.

LTI arrangements

Opportunity	The FY21 LTI opportunity was a face value of 101.25% of TFR for the CEO (FY20: 135% of TFR), 71.74% of TFR for the COO (FY20: 95.65% of TFR) and 71.25% of TFR for the CFO (FY20: 95% of TFR). The face value of the FY21 LTI was reduced by 25% compared to prior years as the face value of the restricted rights was equal to 50% of the face value of the TR performance rights that they replaced. The number of performance rights and restricted rights allocated was determined based on the 10-day VWAP of Vicinity securities immediately following the 2020 Annual General Meeting.
Vesting scale	The following vesting scales apply:

TSR

Percentile ranking	Percentage vesting
< 51st	0%
Between 51st and 75th	Between 51% and 100%
≥ 75th	100%

TR

Compound annual TR target per annum	Percentage vesting
< 9.0%	0%
Between 9.0% and 9.5%	Between 50% and 100%
≥ 9.5%	100%

Following testing, any rights that do not vest lapse.

The plan includes an absolute TSR 'gate' ensuring benefit will only be derived from the TSR performance rights when positive TSR performance is delivered over the four-year performance period. The Board retains discretion to adjust the number of TSR performance rights which vest where the TSR is negative.

1. Relative TSR combines the security price movement and dividends (which are assumed to be reinvested) to show Total Return to securityholders, relative to that of other companies in the comparator group. The Board decided that an appropriate comparator group for the relative TSR performance hurdle was the S&P/ASX 200 A-REIT Index excluding Unibail Rodamco Westfield (ASX:URW). Where appropriate, the Board has discretion to adjust the comparator group for events, including but not limited to takeovers, mergers or de-mergers that might occur with respect to the entities in the comparator group.
2. TR is calculated each year as the change in Vicinity's NTA during the year plus distributions per security made divided by the NTA at the beginning of the year. The annual TR result for each year during the performance period is then used to calculate the compound annual TR for the three-year performance period for awards prior to FY20, or four-year performance period for awards from and including FY20.

4.4 STI and LTI – Cessation of employment, clawback or change of control

The Board retains discretion to determine the treatment of the STI and LTI awards on the cessation of employment; however, generally:

- In the event of resignation or termination for cause, any eligibility for STI, deferred STI and LTI entitlements will be forfeited
- In the event of cessation of employment for such reasons as redundancy, death, total and permanent disablement or retirement:
  - a pro-rata amount of unvested performance rights and restricted rights which have not yet conditionally vested will remain on foot, with the balance forfeited. Performance rights may then conditionally vest at the end of the performance period subject to meeting the performance measures under the associated plan. Awards granted prior to the FY20 LTI are subject to a 12-month holding lock. In these circumstances, the continuous service condition will be deemed to have been waived
  - STI for the year will be pro-rated over the employment period and paid fully in cash at the same time as all others (no amounts are deferred into equity)
  - deferred STI will remain on foot and will vest at the normal vesting date

The Board also has the right to reduce future award payments or adjust unvested amounts to 'clawback' from participants if there has been a material misstatement in Vicinity's financial results. These provisions have been strengthened for any awards to be granted from FY21 onwards to enable 'clawback' where a participant has acted fraudulently or dishonestly, engaged in gross misconduct, breached his or her duties or obligations to the Group or acted in a manner which brings the Group into disrepute.

In the event of a change in control, the Board has absolute discretion to determine the treatment for STI and LTI entitlements.

4. Executive remuneration – further information continued

4.5 Total LTI holdings

Tables 4.1 and 4.1.1 below detail the total performance rights and restricted rights held by Executive KMP including the FY21 LTI grants detailed above.

Table 4.1: Total performance rights held by Executive KMP

Executive KMP	Grant date	End of performance period	Opening performance rights	Granted as remuneration in FY21	Performance rights lapsed[1]	Performance rights vested	Closing unvested performance rights
Grant Kelley							
FY21	11 Dec 2020	30 Jun 2024	-	610,013	-	-	610,013
FY20	10 Dec 2019	30 Jun 2023	762,941	-	-	-	762,941
FY19	4 Dec 2018	30 Jun 2021	708,161	-	(708,161)	-	-
Total			**1,471,102**	**610,013**	**(708,161)**	**-**	**1,372,954**
Peter Huddle							
FY21	11 Dec 2020	30 Jun 2024	-	331,365	-	-	331,365
FY20	10 Dec 2019	30 Jun 2023	414,437	-	-	-	414,437
Total			**414,437**	**331,365**	**-**	**-**	**745,802**
Nick Schiffer							
FY21	11 Dec 2020	30 Jun 2024	-	211,772	(211,772)	-	-
FY20	10 Dec 2019	30 Jun 2023	264,863	-	(264,863)	-	-
Total			**264,863**	**211,772**	**(476,635)**	**-**	**-**
Total number of performance rights			**2,150,402**	**1,153,150**	**(1,184,796)**	**-**	**2,118,756**

1. Represents the lapsing of Grant Kelley's FY19 performance rights following the end of the performance period due to the TR and TSR performance conditions not being met. For Nick Schiffer, this represents the performance rights which lapsed in connection with his resignation.

Table 4.1.1: Total restricted rights held by Executive KMP

Executive KMP	Grant date	End of performance period	Opening restricted rights	Granted as remuneration in FY21	Restricted rights lapsed[1]	Closing unvested restricted rights
Grant Kelley						
	11 Dec 2020	30 Jun 2022	-	76,251	-	76,251
	11 Dec 2020	30 Jun 2023	-	76,252	-	76,252
	11 Dec 2020	30 Jun 2024	-	152,503	-	152,503
Total			**-**	**305,006**	**-**	**305,006**
Peter Huddle						
	11 Dec 2020	30 Jun 2022	-	41,420	-	41,420
	11 Dec 2020	30 Jun 2023	-	41,421	-	41,421
	11 Dec 2020	30 Jun 2024	-	82,841	-	82,841
Total			**-**	**165,682**	**-**	**165,682**
Nick Schiffer						
	11 Dec 2020	30 Jun 2022	-	26,471	(13,200)	13,271
	11 Dec 2020	30 Jun 2023	-	26,472	(17,624)	8,848
	11 Dec 2020	30 Jun 2024	-	52,943	(39,681)	13,262
Total			**-**	**105,886**	**(70,505)**	**35,381**
Total number of restricted rights			**-**	**576,574**	**(70,505)**	**506,069**

1. Represents the pro-rata portion of the FY21 restricted rights which lapsed in connection with Nick Schiffer's resignation based on the number of days of the performance period served.

4.6 Service agreements

Remuneration and other terms of employment for Executive KMP are formalised in Executive Services Agreements (ESAs). The terms and conditions of employment of the Executive KMP reflect market conditions at the time of entering into their contract.

Key features of the Executive KMP ESAs include the following:

- eligibility to participate in short and long-term incentive plans
- ongoing employment until terminated by either the Executive KMP or Vicinity
- Vicinity may make payments in lieu of all or part of the applicable notice period

Notice period provisions are detailed below.

	Termination by Vicinity		Termination by	Termination
Executive KMP	**For cause**	**Other**	**Executive KMP**	**payment[1]**
Grant Kelley	Immediately	6 months	6 months	6 months' TFR
Peter Huddle	Immediately	6 months	6 months	6 months' TFR
Nick Schiffer	Immediately	6 months	6 months	6 months' TFR

1. Paid, subject to law, if Vicinity terminated the Executive KMP's employment agreement on notice and without cause, and makes payment in lieu of notice. Termination payments are generally not paid on resignation or termination with cause, although the Board may determine exceptions to this. No termination payment will exceed the limit under the *Corporations Act 2001* (Cth).

5. Non-executive Director remuneration

5.1 Remuneration philosophy

Non-executive Director fee levels are set with regard to time commitment and workload, the risk and responsibility attached to the role and external market benchmarking. Non-executive Director base fees were last increased effective 1 January 2018. No element of Non-executive Director remuneration is 'at risk', that is, no element is based on the performance of Vicinity. Board and Committee fees will remain unchanged for FY22.

The current maximum fee pool of $2.25 million was approved by Vicinity securityholders in November 2011 and no changes to the fee pool will be made for FY22. Forecast Board and Committee fees for FY22 remain within the maximum fee pool.

Board and Committee fees

FY21 Board and Committee fees are outlined in the table below:

Table 5.1: FY21 Board and Committee fees

Board/Committee	Role	FY21 fees per annum[1] ($)
Board	Chairman	463,500
	Non-executive Director	164,800
Audit Committee	Chairman	41,200
	Member	20,600
Risk and Compliance Committee	Chairman	41,200
	Member	20,600
Remuneration and Human Resources Committee	Chairman	41,200
	Member	20,600
Nominations Committee	Chairman	No additional fee
	Member	No additional fee

1. Fees are inclusive of superannuation.

The Chairman of the Board receives no further remuneration for Committee membership, although he may attend Committee meetings.

Non-executive Directors are entitled to be reimbursed for all reasonable business-related expenses, including travel on Company business, that may be incurred in the discharge of their duties.

5. Non-executive Director remuneration continued

5.2 Fees and benefits paid

Table 5.2: Current Non-executive Directors' fees for FY21 and FY20

		Short-term benefits	Post-employment benefits[2]		
Current Non-executive Director	Period	Fees[1] ($)	Committee fees ($)	Superannuation contributions ($)	Total fees ($)
Trevor Gerber, Chair[3]	**FY21**	**441,806**	**-**	**21,694**	**463,500**
(appointed 28 October 2015)	FY20	309,872	19,331	20,220	349,423
Clive Appleton[4]	**FY21**	**164,800**	**-**	**-**	**164,800**
(appointed 1 September 2018)	FY20	156,560	-	-	156,560
Tim Hammon	**FY21**	**150,503**	**56,438**	**19,659**	**226,600**
(appointed 15 December 2011)	FY20	142,977	53,616	18,676	215,269
Peter Kahan	**FY21**	**150,503**	**56,438**	**19,659**	**226,600**
(appointed 11 June 2015)	FY20	142,977	48,913	18,230	210,120
Janette Kendall	**FY21**	**150,502**	**37,626**	**17,872**	**206,000**
(appointed 1 December 2017)	FY20	142,977	27,834	16,227	187,038
Karen Penrose	**FY21**	**150,503**	**56,438**	**19,659**	**226,600**
(appointed 11 June 2015)	FY20	142,977	53,616	18,676	215,269
David Thurin	**FY21**	**150,502**	**-**	**14,298**	**164,800**
(appointed 11 June 2015)	FY20	142,977	7,910	14,334	165,221
Subtotal current Non-executive Directors	**FY21**	**1,359,119**	**206,940**	**112,841**	**1,678,900**
	FY20	1,181,317	211,220	106,363	1,498,900

1. Unless otherwise stated, fees represent fees paid to Non-executive Directors in their capacity as Directors of Vicinity Limited (the Company) and Vicinity Centre RE Ltd as Responsible Entity for Vicinity Centres Trust (the RE) whose Boards and Committees meet concurrently. The FY20 fees reflect the 20% reduction in fees for the period 1 April – 30 June 2020.
2. Non-executive Directors receive no post-employment benefits other than statutory superannuation.
3. Trevor Gerber assumed the role of Chairman from the conclusion of the 2019 Annual General Meeting on 14 November 2019.
4. Clive Appleton's fees are paid to The Gandel Group Pty Limited and therefore no superannuation contributions were made by Vicinity on his behalf.

Table 5.2.1: Former Non-executive Directors' fees for FY21 and FY20

		Short-term benefits	Post-employment benefits[2]		
Former Non-executive Director	Period	Fees[1] ($)	Committee fees ($)	Superannuation contributions ($)	Total fees ($)
Peter Hay, Acting Chair[3]	**FY21**	**-**	**-**	**-**	**-**
(appointed 11 June 2015)	FY20	162,781	-	10,206	172,987
Wai Tang[4]	**FY21**	**-**	**-**	**-**	**-**
(appointed 30 May 2014)	FY20	100,335	25,084	11,915	137,334
Subtotal former Non-executive Directors	**FY21**	**-**	**-**	**-**	**-**
	FY20	263,116	25,084	22,121	310,321
Total current and former Non-executive Directors	**FY21**	**1,359,119**	**206,940**	**112,841**	**1,678,900**
	FY20	1,444,433	236,304	128,484	1,809,221

1. Fees represent fees paid to Non-executive Directors in their capacity as Directors of the Company and the RE, which meet concurrently.
2. Non-executive Directors receive no post-employment benefits other than statutory superannuation.
3. Peter Hay assumed the position of Acting Chairman effective 14 August 2019 and retired from the Board from the conclusion of the 2019 Annual General Meeting on 14 November 2019.
4. Wai Tang resigned on 14 February 2020 and sadly passed away on 16 February 2020.

6. Other remuneration information

6.1 Remuneration governance

The Board of Directors has responsibility to ensure that appropriate governance is in place in relation to all human resource matters including remuneration. To ensure that the Board acts independently of management and is fully informed when making remuneration decisions, the Board has established the following protocols:

- The Board has established the Remuneration and Human Resources Committee comprised of Non-executive Directors, which is responsible for reviewing and making recommendations on remuneration policies for Vicinity, including policies governing the remuneration of Executive KMP and other senior executives. Further information regarding the respective roles and responsibilities of the Board and the Committee are contained in their respective charters, available at www.vicinity.com.au, and in Vicinity's Corporate Governance Statement.
- When considering the recommendations of the Committee, the Board applies a policy of excluding any executives from being present and participating in discussions impacting their own remuneration.
- The Committee can seek advice from both management and external advisors in developing its remuneration recommendations for the Board.

6.2 External advisors and consultants

To assist in performing its duties and making recommendations to the Board, the Committee directly engages external advisors to provide input to the process of reviewing Executive KMP and Non-executive Director remuneration, and to provide advice on various aspects of the remuneration framework. This advice is sought when required and no advice was sought during FY21.

6.3 Security trading restrictions

Vicinity's Securities Trading Policy prohibits Executive KMP and other LTI and deferred STI participants from hedging or otherwise limiting their exposure to risk in relation to unvested Vicinity securities issued or acquired under any applicable equity arrangements.

6.4 Minimum securityholding requirement – Executive KMP

Vicinity operates a minimum securityholding requirement (MSR) for Executive KMP and other members of the EC. This requires the CEO and members of the EC to build and retain a minimum holding of securities equal to 100% and 60% of TFR respectively within five years. The five-year period commenced from the end of the first full financial year following the merger between Novion Property Group and Federation Centres on 11 June 2015 (i.e. by 30 June 2021), or five years from the end of the first full financial year following an executive's commencement date, if later. Deferred STI and conditionally vested LTI in a 12-month holding lock count towards the MSR. The Board will consider extending the five year period for the CEO and other members of the EC should the MSR be unattainable as a result of the lapsing of the FY18, FY19 and any subsequent LTI grants and the cancellation of the FY20 STI, which was impacted by COVID-19.

6.5 Minimum securityholding requirement – Non-executive Directors

Vicinity operates a MSR for Non-executive Directors. This encourages independent Directors to acquire a holding of securities with a minimum cost equal in value to one year of Non-executive Director base fees (net of income tax and superannuation) within five years from the introduction of the policy in 2016 or from the Director's commencement date, if later.

6.6 KMP securityholdings

The table below shows the securities held (directly or indirectly) by KMP as at 30 June 2021 and as at the date of this report. If, at any time during the five-year accumulation period, a KMP achieves the MSR, the KMP is deemed to have met the MSR, notwithstanding that the holding value at the end of the five-year accumulation period or at the end of a financial year during the five-year period may be less than the MSR. All Non-executive Directors have achieved the current MSR.

Table 6.1: KMP securityholdings

	Opening securities as at 1 July 2020	Granted as remuneration[1]	Additions during the year[2]	Closing securities as at 30 June 2021
Non-executive Directors				
Trevor Gerber	**150,000**	-	70,834	**220,834**
Clive Appleton	**32,295**	-	-	**32,295**
Tim Hammon	**50,000**	-	13,889	**63,889**
Peter Kahan	**33,000**	-	10,417	**43,417**
Janette Kendall	**42,276**	-	20,834	**63,110**
Karen Penrose	**47,500**	-	10,417	**57,917**
David Thurin	**13,895,373**	-	-	**13,895,373**
Total	**14,250,444**	-	126,391	**14,376,835**
Executive KMP				
Grant Kelley	**315,375**	-	20,834	**336,209**
Peter Huddle	**52,078**	-	-	**52,078**
Nick Schiffer	**-**	-	-	**-**
Total	**367,453**	-	20,834	**388,287**

1. No FY20 deferred STI restricted securities were allocated and the FY18 LTI performance rights lapsed in full.
2. Includes securities allocated on 13 July 2020 as a result of participation in the Security Purchase Plan announced on 1 June 2020.

There were no other related party transactions or balances with KMP or their controlled entities, in relation to securities held.

End of Remuneration Report.

Signed in accordance with a resolution of Directors.

Trevor Gerber
Chairman

18 August 2021

AUDITOR'S INDEPENDENCE DECLARATION

Building a better working world

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Auditor's Independence Declaration to the Directors of Vicinity Limited

As lead auditor for the audit of the financial report of Vicinity Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Vicinity Limited and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

Alison Parker

Alison Parker
Partner
18 August 2021

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2021

	Note	30-Jun-21 $m	30-Jun-20 $m
Revenue and income			
Property ownership revenue and income		**1,118.7**	1,151.8
Management fee revenue from strategic partnerships		**48.8**	60.8
Interest and other income		**1.7**	3.7
Total revenue and income	2(c)	**1,169.2**	1,216.3
Share of net loss of equity accounted investments	5(b)	**(34.2)**	(124.1)
Property revaluation decrement for directly owned properties	4(b)	**(642.7)**	(1,717.9)
Direct property expenses		**(299.0)**	(311.5)
Allowance for expected credit losses	10(b)	**(88.0)**	(168.5)
Borrowing costs	7(c)	**(165.6)**	(190.2)
Employee benefits expense	14	**(97.6)**	(62.8)
Other expenses from ordinary activities		**(40.7)**	(40.1)
Net foreign exchange movement on interest bearing liabilities		**77.5**	(13.1)
Net mark-to-market movement on derivatives		**(119.9)**	59.8
Impairment of intangible assets		**–**	(427.0)
Depreciation of right of use assets	17(a)	**(6.1)**	(6.1)
Stamp duty written off on acquisition of investment property	4(b)	**–**	(3.7)
Net loss before tax for the year		**(247.1)**	(1,788.9)
Income tax expense	3(a)	**(10.9)**	(12.1)
Net loss for the year		**(258.0)**	(1,801.0)
Other comprehensive income		**–**	–
Total comprehensive loss for the year		**(258.0)**	(1,801.0)
Total loss and total comprehensive loss for the year attributable to stapled securityholders as:			
Securityholders of Vicinity Limited		**3.0**	29.7
Securityholders of other stapled entities of the Group		**(261.0)**	(1,830.7)
Net loss and total comprehensive loss for the year		**(258.0)**	(1,801.0)
Earnings per security attributable to securityholders of the Group:			
Basic earnings per security (cents)	6	**(5.67)**	(47.30)
Diluted earnings per security (cents)	6	**(5.67)**	(47.30)

The above consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

BALANCE SHEET

as at 30 June 2021

	Note	30-Jun-21 $m	30-Jun-20 $m
Current assets			
Cash and cash equivalents		**47.2**	227.4
Trade receivables and other assets	10(a)	**109.4**	133.5
Total current assets		**156.6**	360.9
Non-current assets			
Investment properties	4(a)	**13,294.3**	13,801.4
Equity accounted investments	5(a)	**479.4**	527.6
Intangible assets	16(a)	**164.2**	164.2
Plant and equipment		**2.9**	2.9
Derivative financial instruments	7(e)	**110.4**	268.7
Right of use assets and net investments in leases	17(a)	**26.8**	32.9
Deferred tax assets	3(c)	**61.7**	72.6
Other assets	10(a)	**1.5**	8.2
Total non-current assets		**14,141.2**	14,878.5
Total assets		**14,297.8**	15,239.4
Current liabilities			
Interest bearing liabilities	7(a)	**–**	151.8
Distribution payable		**300.4**	–
Payables and other financial liabilities	11	**148.2**	123.6
Lease liabilities	17(a)	**34.1**	29.3
Provisions	12	**79.8**	51.6
Total current liabilities		**562.5**	356.3
Non-current liabilities			
Interest bearing liabilities	7(a)	**3,281.9**	3,778.0
Lease liabilities	17(a)	**354.4**	288.4
Provisions	12	**3.9**	4.9
Derivative financial instruments	7(e)	**213.8**	252.2
Total non-current liabilities		**3,854.0**	4,323.5
Total liabilities		**4,416.5**	4,679.8
Net assets		**9,881.3**	10,559.6
Equity			
Contributed equity	9	**9,102.2**	9,069.9
Share based payment reserve		**3.5**	0.9
Retained profits		**775.6**	1,488.8
Total equity		**9,881.3**	10,559.6

The above consolidated Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2021

	Note	Attributable to securityholders of Vicinity Limited				Attributable to securityholders of other stapled entities of the Group				
		Contributed equity $m	Reserves $m	Retained profits/ (losses) $m	Total $m	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Total equity $m
As at 1 July 2019		**473.1**	**3.1**	**(250.6)**	**225.6**	**7,533.8**	**–**	**3,829.7**	**11,363.5**	**11,589.1**
Net profit/(loss) for the year		–	–	29.7	29.7	–	–	(1,830.7)	(1,830.7)	(1,801.0)
Total comprehensive income/(loss) for the year		**–**	**–**	**29.7**	**29.7**	**–**	**–**	**(1,830.7)**	**(1,830.7)**	**(1,801.0)**
Transactions with securityholders in their capacity as securityholders:										
Shares issued	9	69.6	–	–	69.6	1,130.4	–	–	1,130.4	1,200.0
Share issue costs (net of tax)		(0.9)	–	–	(0.9)	(20.1)	–	–	(20.1)	(21.0)
On-market security buy-back	9	(2.3)	–	–	(2.3)	(113.7)	–	–	(113.7)	(116.0)
Net movements in share based payment reserve		–	(2.2)	–	(2.2)	–	–	–	–	(2.2)
Distributions declared		–	–	–	–	–	–	(289.3)	(289.3)	(289.3)
Total equity as at 30 June 2020		**539.5**	**0.9**	**(220.9)**	**319.5**	**8,530.4**	**–**	**1,709.7**	**10,240.1**	**10,559.6**
As at 1 July 2020		**539.5**	**0.9**	**(220.9)**	**319.5**	**8,530.4**	**–**	**1,709.7**	**10,240.1**	**10,559.6**
Net profit/(loss) for the year		–	–	3.0	3.0	–	–	(261.0)	(261.0)	(258.0)
Total comprehensive income/(loss) for the year		**–**	**–**	**3.0**	**3.0**	**–**	**–**	**(261.0)**	**(261.0)**	**(258.0)**
Transactions with securityholders in their capacity as securityholders:										
Shares issued	9	1.9	–	–	1.9	30.7	–	–	30.7	32.6
Share issue costs (net of tax)		–	–	–	–	(0.3)	–	–	(0.3)	(0.3)
Net movements in share based payment reserve		–	2.6	–	2.6	–	–	–	–	2.6
Distributions declared		–	–	–	–	–	–	(455.2)	(455.2)	(455.2)
Total equity as at 30 June 2021		**541.4**	**3.5**	**(217.9)**	**327.0**	**8,560.8**	**–**	**993.5**	**9,554.3**	**9,881.3**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

for the year ended 30 June 2021

	Note	30-Jun-21 $m	30-Jun-20 $m
Cash flows from operating activities			
Receipts in the course of operations		**1,286.6**	1,200.5
Payments in the course of operations		**(498.9)**	(545.8)
Distributions and dividends received from equity accounted and managed investments		**19.4**	8.7
Net operating cash flows retained by equity accounted entities		**5.4**	13.9
Interest and other revenue received		**0.5**	1.0
Interest paid		**(160.8)**	(192.4)
Net cash inflows from operating activities – proportionate[1]		**652.2**	485.9
Less: net operating cash flows retained by equity accounted entities		**(5.4)**	(13.9)
Net cash inflows from operating activities	18	**646.8**	472.0
Cash flows from investing activities			
Payments for capital expenditure on investment properties		**(160.4)**	(332.1)
Proceeds from disposal of investment properties	4(b)	**37.2**	228.2
Payments for acquisition of investment property	4(b)	**(1.1)**	(68.3)
Stamp duty paid upon acquisition of investment property	4(b)	**–**	(3.7)
Proceeds from disposal of plant and equipment		**–**	1.9
Payments for plant and equipment		**(1.2)**	(1.2)
Net cash outflows from investing activities		**(125.5)**	(175.2)
Cash flows from financing activities			
Proceeds from issue of shares		**32.6**	1,200.0
Transaction costs on issue of shares		**(0.3)**	(21.4)
Proceeds from borrowings		**406.0**	2,729.9
Repayment of borrowings		**(978.0)**	(3,242.5)
Payment of lease liabilities		**(5.2)**	(6.7)
Distributions paid to external securityholders		**(154.8)**	(589.2)
On-market security buy-back		**–**	(116.0)
Settlement of derivative financial liabilities		**–**	(42.6)
Debt establishment costs paid		**(1.5)**	(10.0)
Acquisition of shares on-market for settlement of share based payments		**(0.3)**	(5.8)
Net cash outflows from financing activities		**(701.5)**	(104.3)
Net (decrease)/increase in cash and cash equivalents held		**(180.2)**	192.5
Cash and cash equivalents at the beginning of the year		**227.4**	34.9
Cash and cash equivalents at the end of the year		**47.2**	227.4

1. Proportionate cash flows from operating activities includes total operating cash flows from consolidated and equity accounted entities.

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

The index of notes to the financial statements is shown below. Similar notes have been grouped into sections with relevant accounting policies and judgements and estimates disclosures incorporated within the notes to which they relate. The 'About this Report' section, which precedes the notes to the financial statements, contains information on the basis of preparation of the Financial Report, adoption of new accounting standards and significant accounting judgements, estimates and assumptions.

ABOUT THIS REPORT

Reporting entity

The financial statements are those of the stapled Group comprising Vicinity Limited (the Company) and Vicinity Centres Trust (the Trust) (collectively 'the Group'). The Stapling Deed entered into by the Company and the Trust ensures that shares in the Company and units in the Trust are 'stapled' together and are traded collectively on the Australian Securities Exchange (ASX) under the code 'VCX'. For financial reporting purposes, the Company has been identified as the parent entity of the Group.

The Company and the Trust are for-profit entities that are domiciled and operate wholly in Australia.

Basis of preparation

This general purpose Financial Report:

- Has been prepared in accordance with the *Corporations Act 2001* (Cth) and Australian Accounting Standards (AASBs) issued by the Australian Accounting Standards Board. Compliance with AASBs ensures compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- Is presented in Australian dollars ($) and rounded to the nearest tenth of a million dollars ($m) in accordance with ASIC Legislative Instrument 2016/191 (unless otherwise stated);
- Has been prepared in accordance with the historical cost convention, except for certain financial assets and liabilities, and investment properties which have been recognised at fair value; and
- Was authorised for issue by the Board of Directors on 18 August 2021.

The presentation of certain items has been adjusted as necessary to provide more meaningful information in the context of the Group. Where the presentation or classification of items in the Financial Report is amended, comparative amounts are also reclassified unless it is impractical. The adjustments made to the presentation of items had no impact on the net assets or net profit/loss of the Group.

Impact of new standards, interpretations and amendments adopted by the Group

New and amended standards that became effective as of 1 July 2020 did not have a material impact on the financial statements of the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's accounting policies. The Group has not adopted any standard, interpretation or amendment that has been issued but is not yet effective.

COVID-19 pandemic

While retail trading conditions improved for most centres within the portfolio over the financial year, the COVID-19 pandemic continued to unfavourably impact the Group's operations and financial results during the year and several judgements and estimates made in the preparation of the financial statements. Further information on these impacts has been included within the following notes to the financial statements:

- Information on the impact of the pandemic on the financial results for the year ended 30 June 2021 has been included within Note 1, Segment information.
- Where relevant, additional disclosure has been included within the notes to the financial statements on accounting judgements and estimates subject to a significant level of uncertainty due to the pandemic. These judgements and estimates are summarised in the 'Significant accounting judgements, estimates and assumptions' section below.

Going concern

The Group has a net current deficiency of $405.9 million (current liabilities exceed current assets), the Group has considered the following factors at 30 June 2021 in determining that the Financial Report of the Group should be prepared on a going concern basis:

- As at 30 June 2021, the Group has substantial available liquidity including undrawn facilities of $2,399.0 million, cash and cash equivalents of $47.2 million and generates sufficient operating cash flows to meet its current obligations as they fall due; and
- The Group has assessed scenarios which consider varying levels of unfavourable impacts of the pandemic on items such as cash flows and compliance with key debt covenants, including gearing and interest cover ratios. Based on these scenarios, the Group is expected to be able to pay its debts as and when they fall due for a period of 12 months from the date of these financial statements.

ABOUT THIS REPORT CONTINUED

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the Group to make judgements in the application of accounting policies and estimates when developing assumptions that affect the reported amounts of certain revenues, expenses, assets and liabilities. These judgements and estimates are made considering historical experience and other reasonable and relevant factors, but are inherently uncertain. Due to this inherent uncertainty, actual results may differ from these judgements and estimates.

The ongoing COVID-19 pandemic has increased the level of judgement and estimation applied in the preparation of the financial report at 30 June 2021, as the duration and extent of the pandemic and related financial, social and public health impacts remain uncertain. Additional disclosures, including sensitivity analysis, have been included within the relevant notes to the financial statements on the impact of this increased uncertainty.

The table below summarises the areas of the Financial Report subject to significant judgement and estimation and those which are impacted by the increased uncertainty due to the impacts of COVID-19:

Item	Area of judgement or estimation	Note
Valuation of investment properties	Key inputs into valuations such as capitalisation rates, discount rates, terminal yields and market rental growth rates are subject to a significant level of estimation and are not based on observable market data. Despite the increase in property transactions in calendar year 2021, there continues to be limited transactional evidence in certain property asset classes to provide visibility on current market pricing. In addition, the longer-term impact of the pandemic on the economy, consumer shopping habits and physical retail sales, which are key indicators of future market rental growth, is uncertain. These factors mean that there is increased uncertainty in determining key inputs into investment property valuations at 30 June 2021.	4
Revenue and income and recoverability of tenant debtors	The Group's revenue and income largely consist of fixed rental obligations due under lease agreements, which are paid monthly in advance. Therefore, rental income and the assessment of the recoverability of tenant debtors have not been subject to a significant level of judgement or estimation prior to the pandemic. Retail trade has been unfavourably impacted by COVID-19, particularly as a result of the continuing international border closures, the protracted return to offices particularly in the central business districts (CBD), and snap lockdowns mandated by state governments to contain local outbreaks. The Group continued to negotiate rental waivers and deferrals with its affected retailers in good faith. In addition, the Group continues to finalise a number of negotiations under the Federal Government's SME *Commercial Code of Conduct and Leasing Principles During COVID-19* (SME Code) and is providing support to retailers suffering financial hardship and distress. As a result of these multiple factors, the rental income receivable at 30 June 2021 has remained relatively high compared to pre-pandemic levels. Significant judgement and estimate are required in determining allowances for expected credit losses on these receivables due to the uncertain impact of actual and potential shutdowns and restrictions on retail property performance, and the uncertain outcome of rental assistance negotiations.	2 10
Recognition of deferred tax assets	The Company recognises a deferred tax asset, primarily relating to historical tax losses. The recoverability of this deferred tax asset is dependent on the generation of sufficient future taxable income by the Company to utilise those tax losses. Estimation is required in forecasting future taxable income and judgement is applied in assessing an appropriate forecast period. Snap lockdowns to contain COVID-19 outbreaks by state governments continue to cause a degree of uncertainty in determining certain key assumptions within the assessment of the future taxable income of the Company, particularly future property, development and funds management fee revenues, which are linked to the performance and value of the investment properties under management by the Company.	3
Recoverability of intangible assets	Key assumptions and inputs into the determination of fair value of the Group's cash generating unit, such as forecast cash flows, discount and terminal value growth rates, are subject to significant estimation.	16
Valuation of derivative financial instruments	The fair value of derivative financial instruments is estimated using valuation techniques, including referencing to the current fair value of other instruments that are substantially the same or calculation of discounted cash flows.	7

OPERATIONS

1. Segment information

The Group's operating segments identified for internal reporting purposes are:

- *Property Investment:* performance is assessed based on net property income, which comprises revenue less expenses derived from investment in retail property; and
- *Strategic Partnerships:* performance is assessed based on fee income from property management, development, leasing and management of wholesale property funds.

Information on these segments is presented on a proportionate basis. This presents net property income and investment property assets relating to equity accounted properties as if they were consolidated investment properties within the Group's segment results. This allows for consistent internal reporting on all investment property assets and segment activities to the Chief Operating Decision Makers (CODMs) to make strategic decisions, regardless of ownership structure arrangements. Consistent with the prior year, the CODMs were the CEO and Managing Director (CEO), Chief Operating Officer (COO) and the Chief Financial Officer (CFO).

Group performance is assessed based on funds from operations (FFO), which is calculated as statutory net profit, adjusted for fair value movements, certain unrealised and non-cash items, amounts which are capital in nature and other items that are not considered to be in the ordinary course of business. In addition to FFO, adjusted funds from operations (AFFO) is considered when assessing the performance of the Group. AFFO represents the Group's FFO adjusted for investment property maintenance capital and static tenant leasing costs and other capital items incurred during the year. FFO and AFFO are determined with reference to guidelines published by the Property Council of Australia (PCA) and are non-IFRS measures.

(a) Segment results

The segment financial information and metrics provided to the CODMs are set out below. Additional information on the effects of the COVID-19 pandemic on the financial performance of the Group has been provided to the CODMs. This is discussed further below.

Financial performance

For the 12 months to:	30-Jun-21 $m	30-Jun-20 $m
Property Investment segment		
Net property income	**743.4**	683.7
Strategic Partnerships segment		
Property management, development and leasing fees	**42.5**	51.1
Funds management fees	**3.2**	3.6
Total segment income	**789.1**	738.4
Corporate overheads (net of internal property management fees)	**(86.4)**	(42.2)
Net interest expense	**(143.9)**	(175.9)
Funds from operations (FFO)	**558.8**	520.3
Adjusted for:		
Maintenance capital and static tenant leasing costs	**(73.1)**	(60.2)
Settlement of derivative financial liabilities	**–**	(42.6)
Adjusted funds from operations (AFFO)	**485.7**	417.5

Key metrics

For the 12 months to:	30-Jun-21	30-Jun-20
FFO per security[1] (cents per security)	**12.28**	13.66
AFFO per security[1] (cents per security)	**10.67**	10.96
Distribution per security (DPS)[2] (cents per security)	**10.00**	7.70
Total distributions declared[2] ($m)	**455.2**	289.3
AFFO payout ratio (total distributions declared $m/AFFO $m)	**93.7%**	69.3%
FFO payout ratio (total distributions declared $m/FFO $m)	**81.5%**	55.6%

1. The calculation of FFO and AFFO per security for the period uses the basic weighted average number of securities on issue as calculated in Note 6.
2. Distributions per security and the total distribution declared are calculated based on actual number of securities outstanding at the time of the distribution record date.

1. Segment information continued

(a) Segment results continued

Impact of the COVID-19 pandemic

The financial performance and position of the Group and its segments continued to be impacted during the year by the pandemic. In some cases, it is not possible to distinguish the exact impact of the pandemic on an amount within the financial statements or segment results from amounts that may have otherwise been incurred or realised had the pandemic not occurred. Accordingly, to assist in understanding the overall effects of the pandemic on the financial performance and position of the Group and its segments, the table below identifies items which have observed significant movements as compared to the year ended 30 June 2020, and describes how the impacts of the pandemic have influenced these movements. Further information on these items can be found within the relevant notes to the financial statements.

Item	Description	Note
Net property income – allowance for expected credit losses	Despite the improvement in collection rates across the portfolio in the second half of FY21 relative to calendar year 2020, the amount of the Group's rental income that remains uncollected at 30 June 2021 continues to be relatively high. Allowances for expected credit losses have been recognised reflecting the collection risk in the current environment. The net property income in FY21 is favourably impacted by the remeasurement of the allowances for estimated credit losses recognised at 30 June 2020.	10
Net property income – other property related revenue	The reduction in retail trade resulted in subdued demand for other property-related revenue derived by the Group such as fees earned from advertising on digital media screens, carparking and the on-selling of other services at the Group's shopping centres offset by elevated lease surrender fees.	2
Net property income – direct property expenses	As visitation and hours of operations at the Group's shopping centres increased as restrictions eased, the Group incurred additional costs to maintain a COVID-19 safe environment for its customers. This was offset by cost savings initiatives and land tax relief.	–
Net corporate overheads – employee benefits expense	Until September 2020, the Group was eligible for the initial phase of the Federal Government JobKeeper wage subsidy program, which reduced employee benefits expenses. In addition, cost saving measures in FY20 in relation to employee benefits included full or partial stand-downs of a significant number of employees, the cancellation of the Short Term Incentive program and a 20% reduction in total fixed remuneration and base fees respectively for the Executive Committee and the Board from 1 April through to 30 June 2020.	14
Capital expenditure – maintenance capital, static tenant leasing costs and development	The Group accelerated its maintenance capital expenditure program in the second half of FY21 after deferring certain non-essential capital expenditure in the prior year and during the first half of FY21. In addition, the Group continued to put several development projects on hold. The static tenant leasing costs (lease incentives) remain elevated as the number of lease deals being completed increased.	-
Property revaluation decrement	On a weighted average basis, the capitalisation rate for the investment property portfolio has softened. Further factors driving the property valuation decrement for the period include lower specialty tenant market rents, increased incentive allowances for specialities and mini majors, allowances for major tenant backfills, lower ancillary income impacted by COVID-19 and new government legislation (increased stamp duty and land tax rates in Victoria).	4

(b) Reconciliation of net loss after tax to FFO

For the 12 months to:	30-Jun-21 $m	30-Jun-20 $m
Net loss after tax	**(258.0)**	(1,801.0)
Property revaluation decrement for directly owned properties[1]	**642.7**	1,717.9
Non-distributable loss relating to equity accounted investments[1]	**56.6**	145.3
Amortisation of incentives and leasing costs[2]	**58.3**	57.8
Straight-lining of rent adjustment[3]	**(1.9)**	(8.8)
Net mark-to-market movement on derivatives[4]	**119.9**	(59.8)
Net unrealised foreign exchange movement on interest bearing liabilities[4]	**(77.5)**	13.1
Impairment of intangible assets[4]	**–**	427.0
Income tax expense[5]	**10.9**	12.1
Stamp duty	**–**	3.7
Other non-distributable items	**7.8**	13.0
Funds from operations	**558.8**	520.3

The material adjustments to net loss after tax to arrive at FFO and reasons for their exclusion are described below:

1. FFO excludes non-distributable fair value movements relating to directly owned investment properties and equity accounted investments.
2. Lease incentives and leasing costs are capitalised to investment properties. Amortisation of these items is then recognised as an expense in accordance with Australian Accounting Standards. In accordance with the PCA Guidelines, amortisation of these items are excluded from FFO as:
   - static (non-development) lease incentives committed during the year relating to static centres are reflected within maintenance capital and static tenant leasing costs within the AFFO calculation at Note 1(a); and
   - development leasing costs are included within the capital cost of the relevant development project.
3. Straight-lining of rental revenue, which is required by Australian Accounting Standards, is an unrealised non-cash amount and excluded from FFO.
4. Represent non-cash adjustments as required by Australian Accounting Standards and are excluded from FFO.
5. Income tax for the year represents the non-cash recognition of deferred tax assets and has therefore been excluded from FFO.

(c) Reconciliation of segment income to total revenue

Refer to Note 2(c) for a reconciliation of total segment income to total revenue and income in the Statement of Comprehensive Income.

(d) Segment assets and liabilities

The property investment segment reported to the CODMs includes investment properties held directly and those that are held through equity accounted entities. A breakdown of the total investment properties in the property investment segment is shown below. All other assets and liabilities are not allocated by segment for reporting to the CODMs.

	Note	30-Jun-21 $m	30-Jun-20 $m
Investment properties	4(a)[1]	**12,897.3**	13,492.6
Investment properties included in equity accounted investments[2]		**571.0**	621.2
Total interests in directly owned investment properties		**13,468.3**	14,113.8
Assets under management on behalf of strategic partners[3]		**8,779.9**	9,492.0
Total assets under management		**22,248.2**	23,605.8

1. Total investment properties at Note 4(a) less investment property leaseholds and planning and holding costs.
2. Excludes planning and holding costs of $6.6 million relating to investment properties included in equity accounted investments.
3. Represents the value of property interests managed, but not owned, consolidated or otherwise accounted for by the Group.

2. Revenue and income

(a) Accounting policies

Property ownership revenue and income

The Group derives revenue and income in connection with the leasing and operation of its portfolio of investment properties. These comprise of:

Lease rental income

The Group derives lease rental income as lessor from the leasing of the retail space within these investment properties. Lease rental income is recognised on a straight-line basis over the lease term. Items included in the straight-lining calculation are fixed rental payments, in-substance fixed payments, lease incentives given to tenants and fixed rental increases that form part of lease agreements. Note 2(b) includes the accounting for lease modifications.

Revenue from recovery of property outgoings

Under certain tenant lease agreements, the Group recovers from tenants a portion of costs incurred by the Group in the operation and maintenance of its shopping centres. The Group, acting as principal, incurs these costs with third party suppliers and includes them within direct property expenses in the Statement of Comprehensive Income. Recovery amounts are invoiced to tenants each month (over time) at the start of the month for the provision of that month's services based on an annual estimate. Accordingly, where recovery amounts are received in advance, no adjustment is made for the effects of a financing component. Adjustments to reflect recoveries based on actual costs incurred are recorded within revenue in the Statement of Comprehensive Income and billed annually.

Other property-related revenue

Other property-related revenue includes fees earned from advertising, carparking and the on-selling of other services at the Group's shopping centres. The material components of this revenue are recognised over time as the relevant services are provided and relevant performance obligations satisfied.

Management fee revenue from strategic partnerships

These comprise of:

Property management fees

The Group manages retail investment properties on behalf of its co-owners and other external parties. In connection with the provision of these management services the Group derives fee revenue from:

- Ongoing retail investment property management. This is recognised monthly (over time) as property management services are provided. In accordance with the relevant property management agreements, fee revenue is calculated as a percentage of a property's gross revenue and income. Fees are invoiced and paid in the month the service is provided.
- Tenant leasing management services. Fees are recognised and invoiced at either the date of lease instruction or lease execution (point in time) depending on the specific property management agreement. Revenue is generally calculated as a percentage of year one rental income achieved.

Property development fees

The Group provides development management and development leasing services to its co-owners and other external parties. The Group accounts for all property development services provided under these agreements as a single performance obligation as all activities involved in property development management are highly interrelated. Property development fees are therefore calculated in accordance with the relevant development agreement and recognised over time on a time elapsed input method over the life of the relevant development project.

Funds management fees

The Group provides fund management services to wholesale property funds and property mandates. Services are provided on an ongoing basis and revenue is calculated and recognised monthly (over time) as fund management services are provided in accordance with the relevant fund constitutions.

(b) COVID-19 rental assistance

The Group continued to provide rental assistance in the form of rental waivers, payment deferrals and other temporary modifications to the underlying leases agreements to tenants in accordance with the principles of the SME Code. In addition, the Group provided rental assistance to non-SME tenants impacted by the pandemic. The SME Code expired on 31 March 2021. Following the SME Code's expiry, Vicinity continued to provide targeted rental assistance to retail tenants in categories and locations that continue to experience financial hardship and distress.

The impact of rental assistance agreements on the financial statements is discussed below.

Rental assistance agreed

Rental assistance is agreed once both the Group and the tenant have executed the legal agreement outlining the terms of the assistance. As providing rental assistance during the pandemic was not contemplated within the Group's pre-existing lease arrangements, these are treated as modifications of the pre-existing leases (lease modifications). This treatment applies to all rental assistance agreements, including voluntary assistance to SMEs by applying the good faith principles of the SME Code (which promotes a proportionate sharing of the unfavourable impacts of COVID-19 on a tenant's turnover between the landlord and the tenant) following the expiry of the SME Code.

Lease modifications have the following effects on the financial statements in the current year:

- Waivers of lease receivables recognised as lease rental income prior to the date of an agreement being executed are written off through the Statement of Comprehensive Income, except to the extent of a pre-existing allowance for expected credit losses relating to outstanding lease receivables. For the year ended 30 June 2021, $120.9 million of lease receivables were waived, of which $58.3 million related to lease receivables recognised in prior financial periods.
- Lease rental income due over the remaining lease term, which incorporates any future reductions including waivers to fixed lease payments as compared to the original lease agreement, is recognised on a straight-line basis over the remaining lease term. During the year, agreements to reduce future fixed lease payments totalled approximately $16.2 million, of which approximately $12.0 million related to the year ended 30 June 2021. Additional straight-line revenue of approximately $11.0 million was recognised during the year in relation to these reductions.
- Rent for which payment is deferred to a later date (rent is normally payable monthly in advance) continues to be recognised as lease rental income with a corresponding lease receivable in the period to which the occupancy relates. For the year ended 30 June 2021, rental payments of approximately $10.3 million were deferred to future reporting periods.

As at 30 June 2021, approximately 6,069 agreements for rental assistance had been executed.

Rental assistance under negotiation

Until rental assistance is agreed, lease rental income and lease receivables continue to be recognised in accordance with the terms of the original lease agreement. At the end of the reporting period, an estimate of the lease receivables expected to be waived once an agreement is reached is included within the allowance for expected credit losses. The Group estimates approximately 1,974 agreements for rental assistance are still to be completed. Some tenants may require more than one rental assistance agreement depending on the impacts of COVID-19 on their operations.

Further information on the lease receivables waived and expected credit losses recognised during the year (relating to both rental assistance agreed and under negotiation) as at 30 June 2021 is included in Note 10.

2. Revenue and income continued

(c) Summary of revenue and income

A summary of the Group's total revenue and income included within the Statement of Comprehensive Income by segment and reconciliation to total segment income is shown below.

	30-Jun-21 $m			30-Jun-20 $m		
For the 12 months to:	**Property Investment segment**	**Strategic Partnerships segment**	**Total**	**Property Investment segment**	**Strategic Partnerships segment**	**Total**
Recovery of property outgoings[1]	**181.5**	**–**	**181.5**	184.8	–	184.8
Other property-related revenue[1]	**82.0**	**–**	**82.0**	79.8	–	79.8
Property management and development fees[2]	**–**	**45.6**	**45.6**	–	57.1	57.1
Funds management fees[2]	**–**	**3.2**	**3.2**	–	3.7	3.7
Total revenue from contracts with customers	**263.5**	**48.8**	**312.3**	264.6	60.8	325.4
Lease rental income[1]	**855.2**	**–**	**855.2**	887.2	–	887.2
Interest and other income	**1.7**	**–**	**1.7**	3.7	–	3.7
Total income	**856.9**	**–**	**856.9**	890.9	–	890.9
Total revenue and income	**1,120.4**	**48.8**	**1,169.2**	1,155.5	60.8	1,216.3

	30-Jun-21	30-Jun-20
Reconciliation to segment income		
Property-related expenses included in segment income	**(363.9)**	(369.6)
Allowance for expected credit losses	**(88.0)**	(168.5)
Net property income from equity accounted investments included in segment income	**24.2**	24.8
Straight-lining of rent adjustment	**(1.9)**	(8.8)
Amortisation of static lease incentives and other project items	**58.3**	57.8
Interest and other revenue not included in segment income	**(8.8)**	(13.6)
Total segment income	**789.1**	738.4

1. Included within 'Property ownership revenue and income' in the Statement of Comprehensive Income.
2. Included within 'Management fee revenue from strategic partnerships' in the Statement of Comprehensive Income.

3. Taxes

(a) Group taxation summary

Income tax

Vicinity Centres Trust (flow through trust structure)

The Trust and its controlled trusts are not liable to pay income tax (including capital gains tax) on the basis that the taxable income from the Trust's property investments is taxed on a flow through basis in the hands of the Trust's securityholders in accordance with the Attribution Managed Investment Trust Regime. The Trust's securityholders pay tax at their marginal tax rates in the case of Australian resident securityholders, or through the withholding rules that apply to non-resident securityholders investing in Managed Investment Trusts. As a result, the Group has zero income tax expense recognised in respect of the Trust's profit.

Vicinity Limited (corporate tax group)

The Company and its subsidiaries have formed a tax consolidated group (TCG). Under this arrangement, the Company, the head entity of the TCG, accounts for its own current and deferred tax amounts and assumes those from subsidiaries in the TCG. Members of the TCG have entered into a tax funding arrangement, which sets out the funding obligations of members of the TCG in respect of tax amounts. The tax funding arrangement requires payments to/from the head entity to be recognised via an inter-entity receivable/payable, which is at call.

Income tax expense for the year is calculated at the Australian corporate tax rate of 30% and comprises current and deferred tax expense, any adjustments relating to current tax of prior periods and movements in off balance sheet deferred tax assets. These amounts are recognised in the income statement, except to the extent they relate to items recognised directly in other comprehensive income or equity. Current tax expense represents the expense relating to the expected taxable income at the applicable rate for the current financial year.

Deferred tax assets and liabilities are measured based on the expected manner of recovery of the carrying value of an asset or liability. Deferred tax charges represent the future tax consequences of recovering or settling the carrying amount of an asset or liability. These future tax consequences are recorded as deferred tax assets to the extent it is probable that future taxable profits or deferred tax liabilities will be available to utilise them. Where appropriate, deferred tax assets and liabilities are offset as permitted by Australian Accounting Standards.

A summary of the components of Vicinity Limited's income tax expense is shown below:

For the 12 months to:	30-Jun-21 $m	30-Jun-20 $m
Current income tax expense	**(8.8)**	(7.8)
Deferred income tax benefit/(expense)	**6.5**	(4.4)
Adjustment for current year tax of prior periods	**(0.3)**	(0.4)
(Decrease)/increase in deferred tax assets	**(8.3)**	0.5
Income tax expense	**(10.9)**	(12.1)

Statutory taxes and levies

The Group also incurs federal, state-based and local authority taxes including land tax, council rates and levies. These are included within direct property expenses in the Statement of Comprehensive Income. Additionally, employee benefits expense within the Statement of Comprehensive Income includes employment-related taxes such as fringe benefits tax, payroll tax and WorkCover contributions.

Further details on statutory taxes and levies are disclosed in the Tax Transparency section of the Annual Report.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included within the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Further details on GST can be found in the Tax Transparency section of the Annual Report.

Voluntary Tax Transparency Code

The Group is a signatory to the Tax Transparency Code (TTC). Further information can be found in the Tax Transparency section of the Annual Report.

(b) Reconciliation between net profit and income tax benefit

For the 12 months to:	30-Jun-21 $m	30-Jun-20 $m
Loss before tax for the year	**(247.1)**	(1,788.9)
Less: Profit attributed to the Trust and not subject to tax[1]	**252.2**	1,831.2
Net profit before tax attributable to securityholders of Vicinity Limited	**5.1**	42.3
Prima facie income tax expense at 30%	**(1.5)**	(12.7)
Tax effect of amounts not taxable in calculating income tax expense:		
Net adjustment relating to share based payments	**(0.7)**	0.4
Other permanent differences	**(0.1)**	0.1
Prior period adjustments	**(0.3)**	(0.4)
(Decrease)/increase in deferred tax assets	**(8.3)**	0.5
Income tax expense	**(10.9)**	(12.1)

1. As outlined above, taxable income from the Trust's property investments is taxed on a flow through basis in the hands of the Trust's securityholders. Includes adjustment for $8.8 million income tax expense recognised by Vicinity Limited, which has been recorded against the Vicinity Group's unrecognised deferred tax assets disclosed below (30 June 2020: $0.5 million).

3. Taxes continued

(c) Movement in temporary differences

Significant judgement and estimate including the impact of the COVID-19 pandemic

The forecasts of future taxable income are based on the Group's budgeting and planning process and adjusted for tax-specific consequences for the Company. This process requires estimates to be made in developing assumptions about income and expenses (and their tax consequences) in future periods, and significant judgement is applied in determining the length of the future time period to use in the assessment. The pandemic has increased the level of uncertainty in determining certain key assumptions within the assessment of future taxable income of the Company upon which recognition of deferred tax assets is assessed.

Key assumptions subject to this increased uncertainty include future funds, property and development management fee revenues, which are linked to the underlying performance and valuation of the investment properties under management by the Company. If the assumptions differ from management's estimate, this may result in additional recognition or reversal of deferred tax assets in future financial periods.

A summary of the movements in deferred tax balances is as follows:

	Provisions $m	Other $m	Tax losses $m	Total $m
At 30 June 2019	19.5	1.6	63.2	84.3
Current tax expense	–	–	(7.8)	(7.8)
Adjustment of current tax of prior periods	–	–	(0.4)	(0.4)
Deferred income tax (expense)/benefit				
Charged to profit	(8.5)	4.6	–	(3.9)
Charged directly to equity	–	0.4	–	0.4
Transfers	–	(0.2)	0.2	–
At 30 June 2020	11.0	6.4	55.2	72.6
Current tax expense	**–**	**–**	**(8.8)**	**(8.8)**
Adjustment of current tax of prior periods	**–**	**–**	**(0.3)**	**(0.3)**
Deferred income tax (expense)/benefit				
Charged to profit[1]	**8.2**	**(1.7)**	**(8.3)**	**(1.8)**
Transfers	**–**	**0.4**	**(0.4)**	**–**
At 30 June 2021	**19.2**	**5.1**	**37.4**	**61.7**

1. Total $1.8 million charged to profit includes $6.5 million deferred tax benefit and $8.3 million reduction in deferred tax asset.

Unrecognised deferred tax assets comprising unused tax losses totalled $21.8 million at 30 June 2021 (30 June 2020: $13.0 million). These unrecognised deferred tax assets do not expire.

4. Investment properties

The Group's investment properties represent freehold and leasehold interests in land and buildings held either to derive rental income or for capital appreciation, or both. They are initially measured at cost, including related transaction costs. Subsequently, at each reporting period they are carried at their fair values based on the market value, being the price that would be received to sell an investment property in an orderly, arm's length transaction between market participants at the reporting date. Fair values for investment properties are determined by independent (external) valuers or internal valuations. These valuations include the cost of capital works in progress on development projects.

(a) Portfolio summary

	30-Jun-21			30-Jun-20		
Shopping centre type	**Number of properties**	**Value $m**	**Weighted average cap rate %**	**Number of properties**	**Value $m**	**Weighted average cap rate %**
Super Regional	**1**	**3,016.0**	**3.88**	1	3,119.2	3.88
Major Regional	**7**	**2,012.0**	**5.92**	7	2,126.6	5.92
Central Business Districts	**7**	**1,965.0**	**4.97**	7	2,218.0	4.81
Regional	**8**	**1,452.6**	**6.68**	8	1,484.7	6.70
Outlet Centre	**7**	**1,744.9**	**5.93**	7	1,760.2	5.94
Sub Regional	**24**	**2,539.3**	**6.51**	24	2,588.7	6.55
Neighbourhood	**3**	**167.5**	**6.23**	4	195.2	6.52
Planning and holding costs[1]	**–**	**40.6**	**n/a**	–	29.3	n/a
Total	**57**	**12,937.9**	**5.50**	58	13,521.9	5.48
Add: Investment property leaseholds[2]		**356.4**			279.5	
Total investment properties		**13,294.3**			13,801.4	

1. Planning and holding costs relating to planned major development projects are capitalised and carried within the overall investment property balance. The status of each project is reviewed each period to determine if continued capitalisation of these costs remains appropriate.
2. Refer to Note 17(a) for further details of investment property leasehold balances.

(b) Movements for the year

The following investment property transactions occurred during the year:

- Galleria Water Basin land swap (July 2020), where the Group received land with a fair value of $13.0 million and in return provided land with a fair value of $11.9 million[1] and cash of $1.1 million;
- sale of other ancillary land (October 2020) for $3.0 million[1]; and
- sale of Milton Village (June 2021) for $36.5 million[1].

A reconciliation of the movements in investment properties is shown in the table below.

For the 12 months to:	30-Jun-21 $m	30-Jun-20 $m
Opening balance at 1 July	**13,521.9**	15,128.6
Acquisitions including associated stamp duty and transaction costs	**13.0**	72.0
Capital expenditure[2]	**153.2**	317.1
Capitalised borrowing costs[3]	**0.4**	2.3
Disposals	**(50.6)**	(228.2)
Property revaluation decrement for directly owned properties[4]	**(643.6)**	(1,717.2)
Stamp duty written off on acquisition of investment property	**–**	(3.7)
Amortisation of incentives and leasing costs[5]	**(58.3)**	(57.8)
Straight-lining of rent adjustment[5]	**1.9**	8.8
Closing balance at 30 June	**12,937.9**	13,521.9

1. Amounts exclude transaction costs and stamp duty incurred on acquisitions.
2. Includes development costs, maintenance capital expenditure, lease incentives, fit-out and other capital costs.
3. Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 3.9% (30 June 2020: 4.1%).
4. The property revaluation decrement of $643.6 million is before the addition of investment property leaseholds. The $642.7 million revaluation decrement presented within the Statement of Comprehensive Income includes a $0.9 million revaluation increment of investment property leaseholds held at fair value.
5. For leases where Vicinity is the lessor in the lease arrangement.

4. Investment properties continued

(c) Portfolio valuation

Significant judgement and estimate including the impact of the COVID-19 pandemic – continued valuation uncertainty

While retail trading conditions have improved for most centres within the portfolio over the financial year, there continues to be significant estimation uncertainty in determining key inputs into the fair value of the Group's investment properties at 30 June 2021, causing material valuation uncertainty.

The table below discusses the key factors causing material valuation uncertainty and how they may influence investment property fair values in the future. In addition, the majority of the Group's independent valuers note the existence of material valuation uncertainty at 30 June 2021 (consistent with the valuation process at 30 June 2020) as discussed below.

Uncertainty factor	Description
Lack of comparable property transaction market evidence	While market transactions have increased to date in calendar year 2021 as compared to calendar year 2020, comparable transaction evidence is not readily available across all retail property types within the portfolio on which to determine market-based capitalisation and discount rates applied to property income to determine fair value. Transactions that occur in the future may evidence market pricing, which varies from the estimated 30 June 2021 investment property fair values.
Impact of actual and potential lockdowns, restrictions and other indirect impacts on retail property performance	Social distancing measures, domestic and international border closures, delays in the national vaccine roll out, a protracted return to offices in the CBDs and snap lockdowns mandated by state governments have negatively impacted retail trading conditions over the past year. These factors (among others) have also impacted consumer spending, shopping habits and physical retail sales. If these unfavourable trends continue in the future, further rental waivers or deferrals may be required to assist the affected tenants through the impacted period. There could also be further reductions in market rentals, longer tenant vacancy and downtime periods, and/or more tenant administrations, all of which will impact investment property fair values. The longer the pandemic continues, the greater the potential risk to overall investment property fair values.
Uncertain government policy settings	The majority of the economic measures put in place by the Federal and the respective state governments as a response to the pandemic or financial assistance to the Group's tenants or customers have expired or wound up during the year. Other measures have been introduced to either stimulate the economy or to balance the governments' budget. If these policies are changed, it could impact consumer spending and retail sales, which may influence future market rentals, tenant vacancy and downtime periods and ultimately property fair values.

At 30 June 2020 retail trade had been significantly impacted by the pandemic and the duration and extent of these impacts on retail property valuations were highly uncertain. Additionally, since the outbreak of COVID-19, there had been a lack of transactional evidence to provide visibility of its impacts on current market pricing. These factors meant that there was significant estimation uncertainty in determining key inputs into the fair value of the Group's investment properties at 30 June 2020, causing material valuation uncertainty.

Valuation process

The Group's valuation process is governed by the Board and the internal management Investment and Capital Committee. The process is reviewed periodically to consider regulatory changes, changes in market conditions and other requirements where relevant including the impact of COVID-19. The determination of an investment property valuation requires assumptions to be made which may not be based on observable market data in all instances (i.e. capitalisation rates) and estimate the future impact of events such as the COVID-19 pandemic. This means the valuation of an investment property is a significant judgement and estimate.

The valuation process requires:

- each property to be independently valued at least once per year;
- independent valuers (who are selected from a pre-approved panel) that are appropriately qualified. Qualified independent valuers must be authorised by law to carry out such valuations and have at least five years' valuation experience (including at least two years in Australia), and have been rotated across all properties at a minimum every three years. The last full portfolio rotation was undertaken in FY19;
- internal valuations to be undertaken at the end of the reporting period (half-year and year end) if a property is not due for an independent valuation;
- where an internal valuation shows a variance greater than 10% from the last independent valuation, a new independent valuation is to be undertaken (even if this results in a property being independently valued twice in one year). Consideration is also given to key metrics such as foot traffic, sales and rental collections relative to pre COVID-19 levels; and
- internal valuations to be reviewed by a Director of an independent valuation firm to assess the assumptions adopted and the reasonableness of the outcomes.

In addition to its standard valuation process, the Group incorporates the following as a response to the material valuation uncertainty at 30 June 2021:

- Providing information to independent valuers on the observed impacts of COVID-19 on each investment property, in addition to the provision of customary valuation information, which commonly comprises tenancy schedules, capital and expense budgets, foot traffic and tenant sales performance.
- Assessing the reasonableness of COVID-19 related adjustments such as rental waivers and capital requirements incorporated into the investment property valuations by independent valuers. These were assessed against the observed impacts of the pandemic on each property and expected future impacts based on the facts and circumstances existing at 30 June 2021.
- Reviewing the 'material valuation uncertainty' clause, which was included by independent valuers within the majority of valuations. The inclusion of this clause is consistent with the valuations as at 30 June 2020 and highlights that while valuations can still be relied upon at 30 June 2021, due to the uncertain impacts of COVID-19 there is potential for significant and unexpected movements in value over a relatively short period of time post the valuation being completed. Valuations should therefore be reviewed on a more frequent basis than usual.
- Continually monitoring the evolving COVID-19 situation to identify whether there was any additional information available on its impacts that was relevant in measuring the fair value of investment properties at the end of the reporting period. Subsequent to 30 June 2021, further snap lockdowns have been observed in many states of Australia including Victoria, Queensland, South Australia and Western Australia. Apart from the additional consideration for New South Wales investment properties below, the Group did not specifically envisage and quantify these snap lockdowns for other states at the reporting date, which would unfavourably impact the 30 June 2021 fair value of investment properties had it been considered at that time.

  As at 30 June 2021, the Group reverted to a combination of 36 independent (external) and 21 internal valuations (30 June 2020: all independent valuations). Each property in the portfolio, however, has been independently valued at least once in the financial year, inline with the Group's valuation process.

Additional considerations for New South Wales and Victorian investment properties

- In June 2021, New South Wales experienced a significant increase in COVID-19 cases, which resulted in lockdown of four local government areas on 12 June 2021. This was expanded to include Greater Sydney and other regional areas effective 26 June 2021, and in addition, the level of restrictions was elevated. The Group considered that the occurrence of these events provided enough evidence at 30 June 2021 that further lockdown restrictions in New South Wales were likely to continue to be implemented after the end of the period.

  The independent valuers had not specifically considered a further lockdown in New South Wales as likely prior to providing valuations to the Group. As disclosed in the 'Key inputs and assumptions' section below, independent valuations incorporated specific unobservable adjustments for the estimated impact of future uncertain trading and economic conditions caused by COVID-19 as existing at the time of the independent's valuers' valuations.

  Accordingly, the Group made an internal estimate of the impact of possible further lockdown restrictions on the 30 June 2021 fair values. This identified an additional revaluation decrement of $10.8 million to the carrying value of directly owned investment properties and an additional $2.0 million of share of net loss of equity accounted investments at 30 June 2021, based on a most likely scenario of restrictions implemented for up to an eight-week period.

  As the additional revaluation decrement was determined internally by the Group, the list of investment properties shown within Note 4(d) identifies both the independent valuation amount and the carrying value at 30 June 2021, after adjusting for the estimated impacts of the restrictions in New South Wales.

  As disclosed in Note 24, subsequent to 30 June 2021 the New South Wales Government announced an extended lockdown on 28 July 2021. An escalation of further restrictions was not envisaged by the Group and therefore the announcement on 28 July 2021 would unfavourably impact the 30 June 2021 fair value of investment properties had it been considered at that time.

- For the year ended 30 June 2020, the Group considered that the increase in COVID-19 cases observed in Victoria in late June 2020 and the announcement of specific postcode lockdowns on 30 June 2020 provided enough evidence at 30 June 2020 that further lockdown restrictions in Victoria were likely to be implemented after the end of the period. The independent valuers had not specifically considered a further lockdown in Victoria as likely prior to providing valuations to the Group due to the close proximity of the increase in cases and postcode lockdowns to 30 June 2020. Accordingly, the Group made an internal estimate of the impact of possible further lockdown restrictions on independently determined 30 June 2020 fair values. This identified an additional revaluation decrement of $24.5 million based on a most likely scenario of further restrictions implemented.

4. Investment properties continued

(c) Portfolio valuation continued

Valuation methodology

To determine the fair value of retail investment properties as at 30 June 2021:

- independent valuations commonly adopt a fair value within the range calculated with reference to the 'capitalisation of net income' and 'discounted cash flow' methods;
- internal valuations utilise the latest available property financial information in the 'capitalisation of net income' method with a crosscheck using the discounted cash flow (DCF) method; and
- both independent and internal valuations employ the 'residual value' method when valuing development properties.

As at 30 June 2021, the expected impact of COVID-19 on short to medium-term sales and rental growth highlights the importance of the DCF method both in the calculations of the independent valuations and supporting internal valuations.

The table below details each valuation methodology:

Valuation method	Description
Discounted cash flow (DCF)	Projected cash flows for a selected investment period (usually 10 years) are derived from contracted or future estimates of market rents, operating costs, lease incentives and capital expenditure. The cash flows assume the property is sold at the end of the investment period (10 years) for a terminal value. This terminal value is calculated by capitalising in perpetuity assumed market rent income at the end of the investment period by an appropriate terminal yield, except for leasehold properties where the terminal value may be calculated by other methodology to account for the finite term remaining on the ground lease at that time. Fair value is determined to be the present value of these projected cash flows, which is calculated by applying a market-derived discount rate to the cash flows.
Capitalisation of net income	The fully leased annual net income of the property is capitalised in perpetuity from the valuation date, except for leasehold properties where in most instances, depending on the term remaining on the ground lease, the fully leased annual net income of the property is capitalised for the remaining ground lease term. Various adjustments are then made to the calculated result, including estimated future incentives, capital expenditure, vacancy allowances and reversions to market rent. The capitalisation rate reflects the nature, location and tenancy profile of the property together with current market investment criteria, as evidenced by current market transactions.
Residual value (for properties under development)	The value of the asset on completion is calculated using the capitalisation of net income and DCF methods as described above, based on the forecast income profile at development completion. The estimated cost to complete the development, including construction costs and associated expenditures, finance costs and an allowance for developer's risk and profit and post-development stabilisation is deducted from the value of the asset on completion to derive the current value.

Key assumptions and inputs

As the capitalisation of income and discounted cash flow valuation methods include key inputs that are not based on observable market data (namely derived capitalisation and discount rates), investment property valuations are considered 'Level 3' of the fair value hierarchy (refer Note 23 for further details on the fair value hierarchy).

Key unobservable inputs used by the Group in determining the fair value of its investment properties are summarised below. These are consistent with key inputs assessed in prior reporting period for example an average softening in the weighted average portfolio capitalisation rate partly due to the estimated impacts of COVID-19 and partly due to other market factors.

Consistent with 30 June 2020, the valuations at 30 June 2021 have incorporated specific unobservable adjustments relating to COVID-19. These adjustments reduced investment property fair values and included (where appropriate):

- Allowances for rental waivers and tenant support ranging from 0–7 months to be provided to tenants impacted by current and past lockdowns instigated by state governments as a response to the COVID-19 outbreaks (30 June 2020: range from 0–12 months across the portfolio);
- Additional capital and stabilisation allowances for replacement of existing tenants that do not renew lease agreements or take longer to recover;
- Softer capitalisation rate and/or market rent assumptions for CBD centres which have been significantly impacted by the reduction in tourism and CBD visitation; and
- Lower short to medium-term growth rates within the DCF valuations due to anticipated softer economic conditions and increased tenant incentives to lease space at assets.

	30-Jun-21		30-Jun-20		
Unobservable inputs	**Range of inputs**	**Weighted average inputs**	**Range of inputs**	**Weighted average inputs**	**Sensitivity**
Capitalisation rate[1]	**3.88% – 8.00%**	**5.50%**	3.88% – 8.00%	5.48%	The higher the capitalisation rate, discount rate, terminal yield and expected downtime due to tenants vacating, the lower the fair value.
Discount rate[2]	**6.00% – 9.00%**	**6.74%**	6.00% – 9.00%	6.83%	
Terminal yield[3]	**4.13% – 8.00%**	**5.70%**	4.13% – 8.00%	5.68%	
Expected downtime (for tenants vacating)	**3 to 15 months**	**7 months**	3 to 15 months	7 months	
Market rents and rental growth rate	**2.13% – 3.22%**	**2.81%**	2.00% – 3.17%	2.76%	The higher the assumed market rent and rental growth rate, the higher the fair value.

1. The capitalisation rate is the required annual yield of net market income used to determine the value of the property. The rate is determined with regards to comparable market transactions.
2. The discount rate is a required annual total rate of return used to convert the forecast cash flow of an asset into present value terms. It should reflect the required rate of return of the property given its risk profile relative to competing uses of capital. The rate is determined with regards to comparable market transactions.
3. The terminal yield is the capitalisation rate used to convert forecast annual income into a forecast asset value at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to comparable market transactions and the expected risk inherent in the cash flows at the end of the cash flow period. Leasehold properties with tenure less than 20 years (at the end of the 10-year investment horizon) have been excluded from this sensitivity for comparative reasons given the terminal value calculation can differ to take into account the finite term remaining on the leasehold at that time.

All the above key assumptions have been taken from the latest external valuation reports and internal valuation assessments (where applicable). For all investment properties, the current use equates to the highest and best use.

Sensitivity analysis

The following sensitivities illustrate the impact of changes in key unobservable inputs (in isolation) on the fair value of the Group's investment properties at 30 June 2021. Specific key unobservable inputs may impact only the capitalisation of net income method, the DCF method or both methods.

DCF method

30-Jun-21 $m	**Carrying value**	**Discount rate -0.25%**	**Discount rate +0.25%**	**10-year rental growth rate -0.25%**	**10-year rental growth rate +0.25%**
Actual valuation[1]	**12,897.3**				
Impact on actual valuation		**+248.4**	**(242.2)**	**(176.1)**	**+178.9**
Resulting valuation		**13,145.7**	**12,655.1**	**12,721.2**	**13,076.2**

Capitalisation of net income method

30-Jun-21 $m	**Carrying value**	**Capitalisation rate -0.25%**	**Capitalisation rate +0.25%**
Actual valuation[1]	**12,897.3**		
Impact on actual valuation		**+666.7**	**(604.2)**
Resulting valuation		**13,564.0**	**12,293.1**

1. Excludes planning and holding costs and investment property leaseholds.

4. Investment properties continued

(d) List of investment properties held

The tables below summarise the independent (external) valuation and carrying value for each investment property.

As disclosed in Note 4(c), for investment properties located in New South Wales, the carrying value reflects independent or internal valuation amount and an adjustment for the estimated impacts of the increase in COVID-19 cases related to the Delta variant observed in New South Wales in late June 2021 (30 June 2020: the net of independent valuation amount and an adjustment for the estimated impacts of the increase in COVID-19 cases observed in Victoria in late June 2020).

i. Super Regional

	Ownership interest %	Valuation type 30-Jun-21	Valuation amount 30-Jun-21 $m	Carrying value 30-Jun-21 $m	Carrying value 30-Jun-20 $m
Chadstone	50	Independent	3,016.0	**3,016.0**	3,119.2
Total Super Regional			3,016.0	**3,016.0**	3,119.2

ii. Major Regional

	Ownership interest %	Valuation type 30-Jun-21	Valuation amount 30-Jun-21 $m	Carrying value 30-Jun-21 $m	Carrying value 30-Jun-20 $m
Bankstown Central	50	Independent	262.5	**260.5**	275.0
Bayside	100	Internal	430.0	**430.0**	459.8
Galleria	50	Independent	235.0	**235.0**	250.0
Mandurah Forum	50	Independent	217.5	**217.5**	227.5
Northland	50	Independent	402.5	**402.5**	422.1
Roselands	50	Internal	139.0	**139.0**	142.2
The Glen	50	Independent	327.5	**327.5**	350.0
Total Major Regional			2,014.0	**2,012.0**	2,126.6

iii. Central Business Districts

	Ownership interest %	Valuation type 30-Jun-21	Valuation amount 30-Jun-21 $m	Carrying value 30-Jun-21 $m	Carrying value 30-Jun-20 $m
Emporium Melbourne	50	Independent	520.0	**520.0**	640.0
Myer Bourke Street	33	Internal	135.0	**135.0**	149.0
Queen Victoria Building[1]	50	Independent	272.5	**270.3**	300.0
QueensPlaza	100	Independent	665.0	**665.0**	700.0
The Galeries	50	Independent	147.5	**146.5**	164.0
The Myer Centre Brisbane	25	Independent	118.8	**118.8**	140.0
The Strand Arcade	50	Independent	110.0	**109.4**	125.0
Total Central Business Districts			1,968.8	**1,965.0**	2,218.0

1. The title to this property is leasehold and expires in 2083.

iv. Regional

	Ownership interest %	Valuation type 30-Jun-21	Valuation amount 30-Jun-21 $m	Carrying value 30-Jun-21 $m	Carrying value 30-Jun-20 $m
Broadmeadows Central	100	Independent	260.4	**260.4**	269.7
Colonnades	50	Internal	113.2	**113.2**	113.2
Cranbourne Park	50	Independent	127.0	**127.0**	130.0
Eastlands	100	Internal	163.0	**163.0**	156.8
Elizabeth City Centre	100	Internal	290.0	**290.0**	300.0
Grand Plaza	50	Internal	182.0	**182.0**	185.0
Rockingham Centre	50	Independent	210.0	**210.0**	217.5
Runaway Bay Centre	50	Independent	107.0	**107.0**	112.5
Total Regional			1,452.6	**1,452.6**	1,484.7

v. Outlet Centre

	Ownership interest %	Valuation type 30-Jun-21	Valuation amount 30-Jun-21 $m	Carrying value 30-Jun-21 $m	Carrying value 30-Jun-20 $m
DFO Brisbane[1]	100	Independent	67.0	**67.0**	62.5
DFO Essendon[2]	100	Internal	165.0	**165.0**	167.3
DFO Homebush	100	Internal	630.0	**626.9**	590.0
DFO Moorabbin[3]	100	Independent	104.0	**104.0**	111.9
DFO Perth[4]	50	Internal	110.0	**110.0**	105.0
DFO South Wharf[5]	100	Independent	610.0	**610.0**	663.0
DFO Uni Hill	50	Internal	62.0	**62.0**	60.5
Total Outlet Centre			1,748.0	**1,744.9**	1,760.2

1. The right to operate the DFO Brisbane business expires in 2046.
2. The title to this property is leasehold and expires in 2048.
3. The title to this property is leasehold with an option to extend the ground lease to 2034 at the Group's discretion.
4. The title to this property is leasehold and expires in 2047.
5. The title to this property is leasehold and expires in 2108.

4. Investment properties continued

(d) List of investment properties held continued

vi. Sub Regional

	Ownership interest %	Valuation type 30-Jun-21	Valuation amount 30-Jun-21 $m	Carrying value 30-Jun-21 $m	Carrying value 30-Jun-20 $m
Altona Gate Shopping Centre	100	Internal	107.0	**107.0**	100.0
Armidale Central	100	Independent	34.5	**34.5**	36.0
Box Hill Central (North Precinct)	100	Independent	118.0	**118.0**	127.5
Box Hill Central (South Precinct)[1]	100	Internal	203.0	**203.0**	219.5
Buranda Village	100	Independent	38.0	**38.0**	38.0
Carlingford Court	50	Independent	99.1	**98.6**	105.0
Castle Plaza	100	Internal	142.0	**142.0**	151.4
Ellenbrook Central	100	Internal	250.0	**250.0**	242.0
Gympie Central	100	Independent	72.5	**72.5**	72.5
Halls Head Central	50	Independent	38.3	**38.3**	40.0
Karratha City	50	Independent	49.3	**49.3**	40.0
Kurralta Central	100	Independent	45.5	**45.5**	42.0
Lake Haven Centre	100	Internal	270.0	**270.0**	283.9
Livingston Marketplace	100	Independent	79.5	**79.5**	83.0
Maddington Central	100	Internal	90.0	**90.0**	93.0
Mornington Central	50	Independent	35.0	**35.0**	36.0
Nepean Village	100	Internal	202.0	**201.3**	204.0
Northgate	100	Independent	83.0	**83.0**	85.0
Roxburgh Village	100	Internal	93.0	**93.0**	95.7
Sunshine Marketplace	50	Independent	61.5	**61.5**	60.1
Taigum Square	100	Independent	89.0	**89.0**	85.0
Warriewood Square	50	Independent	128.5	**127.8**	137.5
Warwick Grove	100	Internal	152.0	**152.0**	150.0
Whitsunday Plaza	100	Internal	60.5	**60.5**	61.6
Total Sub Regional			2,541.2	**2,539.3**	2,588.7

vii. Neighbourhood

	Ownership interest %	Valuation type 30-Jun-21	Valuation amount 30-Jun-21 $m	Carrying value 30-Jun-21 $m	Carrying value 30-Jun-20 $m
Dianella Plaza	100	Independent	63.0	**63.0**	63.0
Milton Village[2]	–	–	–	**–**	34.3
Oakleigh Central	100	Independent	80.0	**80.0**	72.6
Victoria Park Central	100	Independent	24.5	**24.5**	25.3
Total Neighbourhood			167.5	**167.5**	195.2

1. The title to this property is leasehold with options to extend the ground lease to 2134 at the Group's discretion.
2. Disposed of during the year.

(e) Future undiscounted lease payments to be received from operating leases

The Group's investment properties are leased to tenants under operating leases with rentals payable monthly. Future minimum undiscounted lease payments to be received for the non-cancellable period of operating leases of investment properties are shown in the table below. These include amounts to be received for recovery of property outgoings for tenants on gross leases, which will be accounted for as revenue from contracts with customers when earned[1]. Rentals which may be received when tenant sales exceed set thresholds and separately invoiced amounts for recovery of property outgoings are excluded[1].

The amounts shown in the table below have not been adjusted for the possible impacts of further rental waivers and deferrals to tenants as a result of the pandemic as disclosed in Notes 2 and 10, which, once agreed, may reduce the future lease payments to be received disclosed below.

	30-Jun-21 $m	30-Jun-20 $m
Not later than one year	**817.8**	838.0
Two years	**686.7**	717.9
Three years	**555.2**	599.3
Four years	**410.9**	474.5
Five years	**305.2**	327.2
Later than five years	**796.3**	880.2
Total undiscounted lease payments to be received from operating leases	**3,572.1**	3,837.1

1. Refer to Note 2 for the proportion of revenue earned relating to the recovery of property outgoings.

5. Equity accounted investments

Equity accounted investments are predominantly investment property joint ventures with strategic partners where the property ownership interest is held through a jointly owned trust rather than direct ownership into the property title. The Group has contractual arrangements that establish joint control over the economic activities of these trusts, based on standard market terms. These are accounted for in the Group's financial statements using the equity method.

The assets of investment property joint ventures substantially consist of investment properties held at fair value. As such, the value of equity accounted investments recognised by the Group is subject to the same significant estimation and valuation uncertainties as discussed in Note 4(c).

(a) Summary of equity accounted investments

	Ownership		Carrying value	
	30-Jun-21 %	30-Jun-20 %	30-Jun-21 $m	30-Jun-20 $m
Chatswood Chase Sydney (Joint Venture)[1]	**51.0**	51.0	**404.7**	454.5
Victoria Gardens Retail Trust (Joint Venture)	**50.0**	50.0	**74.6**	72.5
Vicinity Asset Operations Pty Ltd (Associate)	**40.0**	40.0	**0.1**	0.6
Closing balance			**479.4**	527.6

1. Investment in joint venture held through CC Commercial Trust. The Group and its joint venture partner each have equal voting rights over the relevant activities of the joint venture.

(b) Movements for the year

	30-Jun-21 $m	30-Jun-20 $m
Opening balance	**527.6**	670.1
Additional investments made during the year	**6.6**	3.1
Share of net loss of equity accounted investments	**(34.2)**	(124.1)
Distributions of net income declared by equity accounted investments	**(20.6)**	(21.5)
Closing balance	**479.4**	527.6

(c) Summarised financial information of joint ventures

Chatswood Chase Sydney

Summarised financial information represents 51% of the underlying financial statement information of the Chatswood Chase Sydney joint venture.

	30-Jun-21 $m	30-Jun-20 $m
Investment properties (non-current)[1]	**430.8**	478.0
Other net working capital	**(26.1)**	(23.5)
Net assets	**404.7**	454.5
Total income	**26.2**	25.1
Aggregate net loss after income tax	**(32.5)**	(111.4)

1. The carrying value of the investment property includes the additional property revaluation decrement of $2.0 million due to prolonged lockdowns in New South Wales as discussed in Note 4(c).

Victoria Gardens Retail Trust

Summarised financial information represents 50% of the underlying financial statement information of the Victoria Gardens Retail Trust joint venture.

	30-Jun-21 $m	30-Jun-20 $m
Investment properties (non-current)	**146.8**	147.7
Interest bearing liabilities (non-current)	**(68.6)**	(67.3)
Other net working capital	**(3.6)**	(7.9)
Net assets	**74.6**	72.5
Total income	**9.2**	9.9
Aggregate net loss after income tax	**(1.6)**	(13.3)
Interest expense	**(1.9)**	(2.2)

(d) Related party transactions with equity accounted investments during the year

Chatswood Chase Sydney (joint venture, 51% ownership interest)

Asset management fees earned by the Group for management services provided to Chatswood Chase Sydney totalled $4,163,975 (30 June 2020: $9,614,251). At 30 June 2021, no amounts remain payable to the Group (30 June 2020: $nil). Distribution income from the Group's investment in Chatswood Chase Sydney was $17,714,163 (30 June 2020: $16,770,706) with $24,758,355 remaining receivable at 30 June 2021 (30 June 2020: $25,105,057).

Victoria Gardens Retail Trust (joint venture, 50% ownership interest)

Asset management fees earned by the Group for management services provided to Victoria Gardens Retail Trust totalled $1,705,542 (30 June 2020: $2,296,524). At 30 June 2021, no amounts remain payable to the Group (30 June 2020: $nil). Distribution income from the Group's investment in Victoria Gardens Retail Trust was $2,507,541 (30 June 2020: $3,352,367) with $3,679,202 remaining receivable at 30 June 2021 (30 June 2020: $7,664,772).

Vicinity Asset Operations Pty Ltd (VAO) (associate, 40% ownership interest)

Rent and outgoings earned from VAO as a tenant of the Group's centres was $2,122,564 (30 June 2020: $5,589,145). Dividends paid to the Group were $375,411 (30 June 2020: $1,387,856). The Group has receivables from VAO of $922,930 at 30 June 2021 (30 June 2020: $2,095,506).

6. Earnings per security

The basic and diluted earnings per security for the Group are calculated below in accordance with the requirements of AASB 133 *Earnings per Share*.

Basic earnings per security is determined by dividing the net profit or loss after income tax by the weighted average number of securities outstanding during the year.

Diluted earnings per security adjusts the weighted average number of securities for the weighted average number of performance rights on issue.

Basic and diluted earnings per security are as follows:

For the 12 months to:	30-Jun-21	30-Jun-20
Earnings per security attributable to securityholders of the Group:		
Basic earnings per security (cents)	**(5.67)**	(47.30)
Diluted[1] earnings per security (cents)	**(5.67)**	(47.30)
Earnings per security attributable to securityholders of the Parent:		
Basic earnings per security (cents)	**0.07**	0.78
Diluted earnings per security (cents)[1]	**0.07**	0.78

1. Calculated using the weighted average number of securities used as the denominator in calculating basic earnings per security as the Group made losses in both financial years.

The following net (loss)/profit after income tax amounts are used as the numerator in calculating earnings per stapled security:

For the 12 months to:	30-Jun-21 $m	30-Jun-20 $m
Earnings used in calculating basic and diluted earnings per security of the Group	**(258.0)**	(1,801.0)
Earnings used in calculating basic and diluted earnings per security of the Parent	**3.0**	29.7

The following weighted average number of securities are used in the denominator in calculating earnings per security for the Parent and the Group:

	30-Jun-21 Number (m)	30-Jun-20 Number (m)
Weighted average number of securities used as the denominator in calculating basic earnings per security	**4,551.5**	3,807.8
Adjustment for potential dilution from performance rights on issue	**8.2**	7.2
Weighted average number of securities and potential securities used as the denominator in calculating diluted earnings per security	**4,559.7**	3,815.0

CAPITAL STRUCTURE AND FINANCIAL RISK MANAGEMENT

7. Interest bearing liabilities and derivatives

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Foreign currency denominated notes are translated to AUD at the applicable exchange rate at year end with the gain or loss attributable to exchange rate movements recognised in the Statement of Comprehensive Income.

During the year, the following financing activities have occurred:

- Net repayments of $422.0 million of bank debt were made throughout the year with the proceeds from maturing term deposits and operational cash flows, partly offset by capital expenditure.
- Extension of existing debt facilities between six and twelve months.
- Maturities of $150.0 million of AMTNs were repaid with proceeds from drawdown of bank debt and operational cash flows on 27 May 2021.

(a) Summary of facilities

The following table outlines the Group's interest bearing liabilities at balance date:

	30-Jun-21 $m	30-Jun-20 $m
Current liabilities		
Secured		
AUD Medium Term Notes (AMTNs)[1]	–	151.9
Deferred debt costs[2]	–	(0.1)
Total current liabilities	–	151.8
Non-current liabilities		
Unsecured		
Bank debt	**76.0**	498.0
AMTNs[3]	**857.4**	856.8
GBP European Medium Term Notes (GBMTNs)	**642.9**	625.6
HKD European Medium Term Notes (HKMTNs)	**109.9**	119.6
US Private Placement Notes (USPPs)	**822.8**	885.2
EUR European Medium Term Notes (EUMTNs)	**786.7**	809.5
Deferred debt costs[2]	**(13.8)**	(16.7)
Total non-current liabilities	**3,281.9**	3,778.0
Total interest bearing liabilities	**3,281.9**	3,929.8

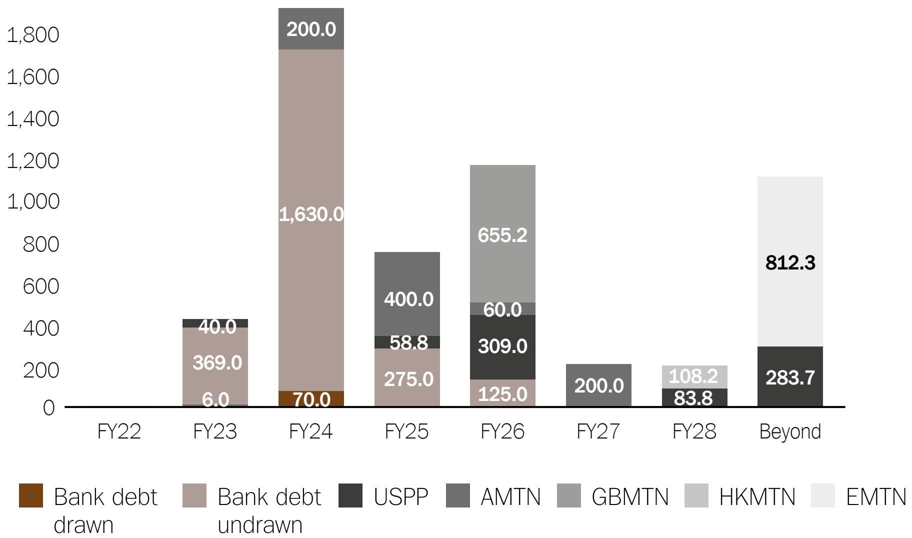
1. Repaid in May 2021. 30 June 2020: AMTNs were secured by a first charge over certain of the Group's investment properties with a carrying value of $3,148.2 million.
2. Deferred debt costs comprise the unamortised value of borrowing costs paid on establishment or refinance of debt facilities. These costs are deferred on the Balance Sheet and amortised at the effective interest rate to borrowing costs in the Statement of Comprehensive Income.
3. Includes non-current unsecured AMTNs of AUD60.0 million issued under the Group's EUMTN program.

7. Interest bearing liabilities and derivatives continued

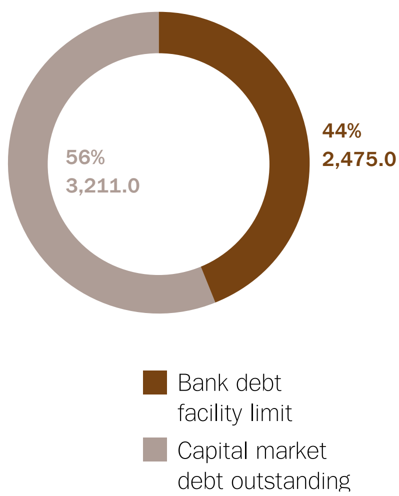
(b) Facility maturity and availability

The charts below outline the maturity of the Group's total available facilities at 30 June 2021 by type and the bank to capital markets debt ratio. Of the $5,686.0 million total available facilities (30 June 2020: $5,836.0 million), $2,399.0 million remains undrawn at 30 June 2021 (30 June 2020: $1,977.0 million).

Available facilities expiry profile ($m)[1]



Bank to capital market debt ratio ($m, %)



1. The carrying amount of the USPPs, GBMTNs, HKMTNs, EUMTNs and AMTNs in the Balance Sheet is net of adjustments for fair value items and foreign exchange translation of -$8.7 million (30 June 2020: -$87.6 million). These adjustments are excluded from the calculation of total facilities available and amounts drawn as shown in the charts. Additionally, deferred debt costs of $13.8 million (30 June 2020: $16.8 million) are not reflected in the amount drawn.

(c) Borrowing costs

Borrowing costs consist of interest and other costs incurred in connection with borrowing funds (such as establishment fees, legal and other fees). Borrowing costs are expensed to the Statement of Comprehensive Income using the effective interest rate method, except for borrowing costs incurred for the development of investment properties, which are capitalised to the cost of the investment property during the period of development. Borrowing costs also include finance charges on lease liabilities.

For the 12 months to:	30-Jun-21 $m	30-Jun-20 $m
Interest and other costs on interest bearing liabilities and derivatives	**136.0**	170.3
Amortisation of deferred debt costs	**4.5**	6.5
Amortisation of face value discounts	**1.9**	1.7
Amortisation of fair value adjustments relating to discontinuation of hedge accounting	**(1.2)**	(1.3)
Amortisation of AMTN, GBMTN and EMTN fair value adjustment	**(2.1)**	(3.7)
Interest charge on lease liabilities	**26.9**	20.6
Capitalised borrowing costs	**(0.4)**	(3.9)
Total borrowing costs	**165.6**	190.2

(d) Defaults and covenants

At 30 June 2021, the Group had no defaults on debt obligations or breaches of lending covenants (30 June 2020: nil).

(e) Derivatives

As detailed further in Note 8, derivative instruments are held to hedge against the interest rate risk and foreign currency risk of the Group's borrowings. Derivatives are initially recognised at fair value and subsequently remeasured to their fair value at each reporting period. The fair value of these derivatives is estimated using valuation techniques, including referencing to the current fair value of other instruments that are substantially the same or calculation of discounted cash flows. These valuation techniques use observable Level 2 inputs, mainly interest rates and interest rate curves as well as foreign currency rates and foreign currency curves.

In respect of derivative financial instruments within the Statement of Comprehensive Income:

- movements in fair value are recognised within net mark-to-market movement on derivatives; and
- the net interest received or paid is included within borrowing costs.

The carrying amount and notional principal amounts of these instruments are shown in the table below:

	Carrying amount		Notional principal amount (AUD)	
	30-Jun-21 $m	**30-Jun-20 $m**	**30-Jun-21 $m**	**30-Jun-20 $m**
Cross currency swaps (pay AUD floating receive USD fixed)	**94.1**	206.4	**302.5**	660.3
Cross currency swaps (pay AUD floating receive GBP fixed)	**0.2**	3.1	**243.4**	655.2
Cross currency swaps (pay AUD floating receive HKD fixed)	**10.8**	27.6	**108.2**	108.2
Cross currency swaps (pay AUD floating receive EUR fixed)	**–**	25.9	**–**	812.3
Interest rate swaps (pay floating/receive fixed)[1]	**5.3**	5.7	**100.0**	100.0
Total non-current assets	**110.4**	268.7	**n/a**	n/a
Cross currency swaps (pay AUD floating receive GBP fixed)	**(0.1)**	–	**411.8**	–
Cross currency swaps (pay AUD floating receive USD fixed)	**(8.0)**	–	**357.8**	–
Cross currency swaps (pay AUD floating receive EUR fixed)	**(30.8)**	–	**812.3**	–
Interest rate swaps (pay fixed/receive floating)	**(174.9)**	(252.2)	**2,525.0**	2,525.0
Total non-current liabilities	**(213.8)**	(252.2)	**n/a**	n/a
Total net carrying amount of derivative financial instruments	**(103.4)**	16.5	**n/a**	n/a

1. Notional value excludes the $300.0 million swaps with a forward start date in August 2025 (30 June 2020: $nil). The fair value of this forward start contract at 30 June 2021 is included in the carrying value of $5.3 million.

(f) Changes in interest bearing liabilities arising from financing activities

The table below details changes in the Group's interest bearing liabilities arising from financing activities, including both cash and non-cash changes.

	30-Jun-21 $m	**30-Jun-20 $m**
Opening balance	**3,929.8**	4,436.1
Net cash repayments of borrowings	**(572.0)**	(512.6)
Foreign exchange rate adjustments recognised in profit and loss	**(77.5)**	13.1
Payment of deferred debt costs	**(1.5)**	(10.0)
Amortisation of face value discount	**1.9**	1.7
Amortisation of deferred debt costs	**4.5**	6.5
Fair value movements, non-cash	**(3.3)**	(5.0)
Closing balance	**3,281.9**	3,929.8

(g) Fair value of interest bearing liabilities

As at 30 June 2021, the Group's interest bearing liabilities had a fair value of $3,497.5 million (30 June 2020: $3,993.1 million).

The carrying amount of these interest bearing liabilities was $3,281.9 million (30 June 2020: $3,929.8 million). The difference between the carrying amount and the fair value of interest bearing liabilities is due to:

- deferred debt costs included in the carrying value, which are not included in the fair value; and
- movements in market discount rates on fixed rate interest bearing liabilities since initial recognition. As fair value is calculated by discounting the contractual cash flows using prevailing market discount rates (with similar terms, maturity and credit quality) any movements in these discount rates since initial recognition will give rise to differences between fair value and the carrying value (which is at amortised cost).

Had the fixed rate interest bearing liabilities been recognised at fair value, these would have been classified as Level 2 under the fair value hierarchy as the market discount rates used are indirectly observable.

8. Capital and financial risk management

In the course of its operations, the Group is exposed to certain financial risks that could affect the Group's financial position and performance. This note explains the sources of the risks below, how they are managed by the Group and exposure at reporting date:

- Interest rate risk, Note 8(a);
- Foreign exchange risk, Note 8(b);
- Liquidity risk, Note 8(c); and
- Credit risk, Note 8(d).

Information about the Group's objectives for managing capital is contained in Note 8(e).

Risk management approach

The Group's treasury team is responsible for the day to day management of the Group's capital requirements and the financial risks identified above. These activities are overseen by the internal management Capital Management Committee (CMC), operating under the CMC Charter and the treasury policy. This policy is endorsed by the Audit Committee and approved by the Board of Directors. The overall objectives of the CMC are to:

- ensure that the Group has funds available to meet all financial obligations, working capital and committed capital expenditure requirements;
- monitor and ensure compliance with all relevant financial covenants and other undertakings under the Group's debt facilities;
- reduce the impact of adverse interest rate or foreign exchange movements on the Group's financial performance and position using approved financial instruments;
- diversify banking counterparties to mitigate counterparty credit risk; and
- ensure the Group treasury team operates in an appropriate control environment, with effective systems and procedures.

(a) Interest rate risk

Nature and sources of risk

Interest rate risk represents the potential for changes in market interest rates to impact the total interest expense on floating rate borrowings (cash flow interest rate risk) or the fair value of derivatives (fair value interest rate risk) held by the Group.

Risk management

Interest rate swaps are used to manage cash flow interest rate risk by targeting a hedge ratio on the Group's interest bearing liabilities. Under the terms of the interest rate swaps, the Group agrees to exchange, at specified intervals, amounts based on the difference between fixed interest rates and the floating market interest rate calculated by reference to an agreed notional principal amount. None of these derivatives are currently in designated hedge relationships. They are also not permitted to be entered into for speculative purposes and therefore the Group is not significantly exposed to fair value interest rate risk.

Exposure

As at the balance date, the Group had the following exposure to cash flow interest rate risk:

	30-Jun-21 $m	30-Jun-20 $m
Total interest bearing liabilities (Note 7(a))	**3,281.9**	3,929.8
Reconciliation to drawn debt		
Deferred debt costs	**13.8**	16.8
Fair value and foreign exchange adjustments to GBMTNs	**12.3**	29.6
Fair value and foreign exchange adjustments to USPPs	**(47.5)**	(109.9)
Fair value adjustments to AMTNs	**2.6**	1.3
Foreign exchange adjustments to HKMTNs	**(1.7)**	(11.4)
Fair value and foreign exchange adjustments to EUMTNs	**25.6**	2.8
Total drawn debt	**3,287.0**	3,859.0
Less: Cash on term deposit[2]	**–**	(150.0)
Less: Fixed rate borrowings	**(740.0)**	(890.0)
Variable rate borrowings exposed to cash flow interest rate risk	**2,547.0**	2,819.0
Less: Notional principal of outstanding interest rate swap contracts	**(2,425.0)**	(2,425.0)
Net variable rate borrowings exposed to cash flow interest rate risk	**122.0**	394.0
Hedge ratio[1]	**96.3%**	89.4%

1. Calculated as net variable rate borrowings exposed to cash flow interest rate risk divided by total drawn debt less cash on term deposit.
2. Term deposit matured in July 2020.

Sensitivity

A shift in the floating interest rate of +/- 25bps, assuming the net exposure to cash flow interest rate risk as at 30 June 2021 remains unchanged for the next 12 months, would impact the Group's cash interest cost for the next 12 months by $0.3 million (30 June 2020: +/-25bps: $1.0 million).

A shift in the forward interest rate curve of +/ 25bps, assuming the net exposure to fair value interest rate risk as at 30 June 2021 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $5.6 million (30 June 2020: +/-25bps: $10.9 million).

This sensitivity analysis should not be considered a projection.

(b) Foreign exchange rate risk

Nature and sources of risk

Foreign exchange risk represents the potential for changes in market foreign exchange rates to impact the cash flows arising from the Group's foreign denominated interest bearing liabilities (cash flow foreign exchange rate risk) or the fair value of derivatives and the carrying value of interest bearing liabilities (fair value foreign exchange rate risk) held by the Group.

Risk management

Cash flow foreign exchange rate risk is managed through the use of cross currency swaps, which swap the foreign currency interest payments on foreign denominated interest bearing liabilities into Australian dollars and fix the exchange rate for the conversion of the principal repayment. None of these derivatives are currently in designated hedge relationships. They are also not permitted to be entered into for speculative purposes and therefore the Group is not significantly exposed to fair value foreign exchange risk.

Exposure

As at the balance date, the Group had entered into cross currency swaps with terms offsetting those of all foreign denominated interest bearing liabilities and therefore had no net exposure to cash flow foreign exchange rate risk (30 June 2020: nil net exposure). The Group has exposure to fair value foreign exchange risk on the valuation of the derivative financial instruments. The table below summarises the foreign denominated interest bearing liabilities held by the Group. Details of cross currency swaps held are shown in Note 7(e).

Foreign denominated interest bearing liabilities	Foreign currency	30-Jun-21 m	30-Jun-20 m
GBMTNs	GBP £	**350.0**	350.0
HKMTNs	HKD $	**640.0**	640.0
USPPs	USD $	**523.0**	523.0
EUMTNs	EUR €	**500.0**	500.0

Sensitivity

A shift in the forward GBP, HKD, EUR and USD exchange rate curves of +/ 5.0 cents, assuming the net exposure to fair value foreign exchange rate risk as at 30 June 2021 remains unchanged for the next 12 months, would impact net profit and equity for the next 12 months by $24.8 million (30 June 2020: +/- 5.0 cents: $36.5 million).

This sensitivity analysis should not be considered a projection.

(c) Risk

Nature and sources of risk

Liquidity risk represents the risk that the Group will be unable to meet financial obligations as they fall due.

Risk management

To manage this risk, sufficient capacity under the Group's financing facilities is maintained to meet the funding needs identified in the Group's latest forecasts. This is achieved through obtaining and maintaining funding from a range of sources (e.g. banks and Australian and foreign debt capital markets), maintaining sufficient undrawn debt capacity and cash balances, and managing the amount of borrowings that mature, or facilities that expire, in any one year.

The COVID-19 pandemic has significantly impacted the Group's cash flows and increased uncertainty within the Group's forecasting process upon which future liquidity requirements are assessed. As a result of these impacts, the Group continued to actively monitor and manage its capital requirements. This is discussed in Note 8(e).

8. Capital and financial risk management continued

(c) Liquidity risk continued

Exposure

The contractual maturity of cash on term deposit, interest bearing liabilities and the interest payment profile on interest bearing liabilities and derivatives are shown below. Estimated interest and principal payments are calculated based on the forward interest and foreign exchange rates prevailing at year end and are undiscounted. Timing of payments is based on current contractual obligations. Refer to Note 11 for details on trade payables and other financial liabilities that are not included in the table below.

30-Jun-21	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m
Bank debt	**–**	**76.0**	**–**	**76.0**
AMTNs	**–**	**200.0**	**660.0**	**860.0**
GBMTNs	**–**	**–**	**656.8**	**656.8**
HKMTNs	**–**	**–**	**112.0**	**112.0**
USPPs	**–**	**40.0**	**778.8**	**818.8**
EUMTNs	**–**	**–**	**918.5**	**918.5**
Estimated interest payments and line fees on borrowings	**104.5**	**200.2**	**268.0**	**572.7**
Estimated net interest rate swap cash outflow	**63.4**	**85.9**	**25.3**	**174.6**
Estimated gross cross currency swap cash outflows	**45.1**	**114.1**	**2,532.7**	**2,691.9**
Estimated gross cross currency swap cash (inflows)	**(61.3)**	**(123.0)**	**(2,594.2)**	**(2,778.5)**
Total contractual outflows	**151.7**	**593.2**	**3,357.9**	**4,102.8**

30-Jun-20	Less than 1 year $m	1 to 3 years $m	Greater than 3 years $m	Total $m
Bank debt	–	218.0	280.0	498.0
AMTNs	150.0	–	860.0	1,010.0
GBMTNs	–	–	647.0	647.0
HKMTNs	–	–	945.2	945.2
USPPs	–	–	122.2	122.2
EUMTNs	–	40.0	858.2	898.2
Cash and interest on term deposit (inflows)	(150.3)	–	–	(150.3)
Estimated interest payments and line fees on borrowings	120.6	224.8	378.1	723.5
Estimated net interest rate swap cash outflow	33.3	114.4	105.6	253.3
Estimated gross cross currency swap cash outflows	46.8	98.6	2,523.8	2,669.2
Estimated gross cross currency swap cash (inflows)	(64.1)	(128.8)	(2,778.1)	(2,971.0)
Total contractual outflows	136.3	567.0	3,942.0	4,645.3

(d) Credit risk

Nature and sources of risk

Credit risk is the risk that a tenant or counterparty to a financial asset held by the Group fails to meet their financial obligations. The Group's financial assets that are subject to credit risk are bank deposits, tenant receivables and derivative financial assets.

Risk management

To mitigate credit risk in relation to derivative counterparties and bank deposits, the Group has policies to limit exposure to any one financial institution and only deal with those parties with high credit quality. To mitigate tenant credit risk, an assessment is performed taking into consideration the financial background of the tenant and the amount of any security deposit or bank guarantee provided as collateral under the lease, as is usual in leasing agreements. On an ongoing basis, trade receivable balances from tenants are monitored with the Group considering receivables that have not been paid for 30 days after the invoice date as past due. The COVID-19 pandemic has increased credit risk on tenant receivables as many of the Group's tenants were unable or chose not to trade, or had their trade significantly impacted during the year. Note 10 further discusses the assessment of credit risk on receivables at 30 June 2021.

Exposure

The maximum exposure to credit risk at the balance date is the carrying amount of the Group's financial assets, which are recognised within the Balance Sheet net of allowance for losses.

(e) Capital management

Approach and response to COVID-19

The Group seeks to maintain a strong and conservative capital structure with appropriate liquidity, low gearing and a diversified debt profile (by source and tenor). The Group has long-term credit ratings of 'A2/stable' from Moody's Investors Service and 'A/stable' from Standard & Poor's.

In response to the uncertainties arising from the COVID-19 pandemic, the Group continued to maintain a strong and conservative capital structure including extending its bank facilities between six and twelve months. As at 30 June 2021, the Group had $47.2 million of cash on hand and $2,399.0 million of available undrawn facilities, with no maturities in the FY22r.

Key capital metrics

Key metrics monitored are gearing ratio and interest cover ratio. These metrics are shown below.

Gearing ratio

The gearing ratio is calculated in the table below as:

- drawn debt, net of cash; divided by
- total tangible assets excluding cash, right of use assets, net investments in lease, investment property leaseholds and derivative financial assets.

	30-Jun-21 $m	**30-Jun-20 $m**
Total drawn debt (Note 8(a))	**3,287.0**	3,859.0
Drawn debt net of cash	**3,239.8**	3,631.6
Total tangible assets excluding cash, right of use assets, net investments in lease, investment property leaseholds and derivative financial assets	**13,592.8**	14,266.7
Gearing ratio (target range of 25.0% to 35.0%)	**23.8%**	25.5%

Interest cover ratio

The interest cover ratio (ICR) is calculated in accordance with the definitions within the Group's bank debt facility agreements as follows:

- EBITDA, which generally means the Group's earnings before interest, tax, depreciation, amortisation, fair value adjustments and other items; divided by
- total interest expense.

At 30 June 2021, the interest cover ratio including one-off or non-recurring items was 5.1 times (30 June 2020: 3.9 times). Excluding amounts which the Group considers one-off or non-recurring items, which principally comprised allowances for expected credit losses arising as a result of the impacts of COVID-19, the interest cover ratio was 5.9 times.

CAPITAL STRUCTURE AND FINANCIAL RISK MANAGEMENT CONTINUED

9. Contributed equity

An ordinary stapled security comprises one share in the Company and one unit in the Trust. Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Group (if enacted) in proportion to the number of securities held. Ordinary stapled securities are classified as equity. All ordinary securities are fully paid.

Incremental costs directly attributable to the issue of new stapled securities are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new stapled securities for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

During the year, 22.6 million Vicinity stapled securities were issued under the Security Purchase Plan.

	30-Jun-21 Number (m)	30-Jun-20 Number (m)	30-Jun-21 $m	30-Jun-20 $m
Total stapled securities on issue at the beginning of the year	**4,529.6**	3,771.8	**9,069.9**	8,006.9
Staple securities issued (net of equity raising costs)	**22.6**	810.8	**32.3**	1,179.0
On-market security buy-back	**–**	(53.0)	**–**	(116.0)
Total stapled securities on issue at the end of the year	**4,552.2**	4,529.6	**9,102.2**	9,069.9

WORKING CAPITAL

10. Trade receivables and other assets

(a) Summary

Trade receivables comprise amounts due from tenants of the Group's investment properties under lease agreements and amounts receivable from strategic partners under property management agreements. Trade receivables are initially recognised at the transaction price or fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for expected credit losses. At 30 June 2021, the carrying value of trade receivables and other financial assets approximated their fair value.

	Note	30-Jun-21 $m	30-Jun-20 $m
Current trade receivables			
Trade debtors		**136.3**	200.3
Deferred rent[1]		**6.7**	1.0
Accrued income		**13.2**	12.9
Receivables from strategic partners		**2.1**	5.0
Less: estimated rent waivers	10(b)	**(51.0)**	(100.4)
Less: allowance for expected credit losses	10(b)	**(77.3)**	(69.2)
Total current trade receivables[2]		**30.0**	49.6
Current other assets			
Distributions receivable from joint ventures and associates		**28.4**	32.7
Prepayments		**12.7**	14.7
Land tax levies		**20.5**	19.7
Tenant security deposits held		**0.4**	0.6
Other		**17.4**	16.2
Total current other assets		**79.4**	83.9
Total current trade receivables and other assets		**109.4**	133.5
Non-current other assets			
Deferred rent[1]		**3.6**	–
Less: allowance for expected credit losses	10(b)	**(2.6)**	–
Other		**0.5**	8.2
Total non-current other assets		**1.5**	8.2

1. Under certain COVID-19 rent assistance agreements rents are deferred to be repaid at a later date.
2. Includes receivables relating to lease rental income, property outgoings recovery revenue and other property-related revenue. Refer to Note 2 for an analysis of the Group's revenue and income.

Management of tenant credit risk

On an ongoing basis, trade receivable balances from tenants are monitored with the Group considering receivables that have not been paid for 30 days after the invoice date as past due. The Group does not hold any collateral in relation to trade or other receivables, other than security deposits or bank guarantees as is usual in leasing agreements. The maximum credit risk exposure at the balance date is the carrying amount of each class of receivables outlined above. Individual debt is considered in default when contractual payments have not been made and is written off when the Group ceases collection activities.

Significant judgement and estimate including the impact of the COVID-19 pandemic

As a result of the impact of the COVID-19 pandemic on retail trade, the Group continued to negotiate with its affected tenants as mandated by the SME Code during the financial year and subsequent to the expiry of the SME Code, in good faith and in accordance with the principles of the SME Code where applicable. Rental assistance provided to tenants has been in the form of rent waivers, deferrals and/or other lease changes. As at 30 June 2021, negotiations for rental assistance remain in progress with certain non-SME and SME tenants across the portfolio, in particular those based in Victoria. Despite the improvement in collection rates across the portfolio in the current year, the trade debtors balance remains relatively high as certain tenants continued to withhold contractual lease payments until these negotiations (and the amount of rental waivers provided by the Group) are finalised. Final outcomes are uncertain. The Group has included an estimate of the rental waivers for agreements not yet completed (estimated rent waivers) within the allowance for expected credit losses (ECLs).

There continues to be significant estimation uncertainty in determining the allowance for ECLs including estimated waiver amount as disclosed in Note 10(b). This is driven by the uncertain impact of actual and potential lockdowns and restrictions on retail property performance, and the uncertain outcome of rental assistance negotiations.

10. Trade receivables and other assets continued

(b) Allowance for expected credit losses

The allowance for ECLs represents the difference between cash flows contractually receivable by the Group and the cash flows the Group expects to receive. For trade receivables, contract assets and lease receivables, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track the changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The recognition of an ECL, however, does not mean that the Group has ceased collection activities in relation to the amounts owed. The approach taken to determine the lifetime ECLs at 30 June 2021 is outlined below.

Approach

The following approach was adopted to determine the allowance for ECLs at 30 June 2021. The approach was adjusted as compared to that adopted at 30 June 2020 to incorporate rental collection rates and tenant performance information in a COVID-19 impacted operating environment. The availability of this information was limited at 30 June 2020. The allowance for ECLs at 30 June 2020 was based on the estimated likely rental waivers, and a probability weighted allowance based on forecasts of the impact of COVID-19 on retail sales, information on tenants' financial position and prior dealings with the tenants.

While the key inputs and assumptions, being the average actual collection rates and the estimated rental waivers arising from ongoing rental relief assistance, used in the development of the allowance for ECLs are considered reasonable and supportable, the calculation of these amounts in the current environment is subject to significant uncertainty as discussed in Note 10(a). If these factors vary from management's estimate, this may result in a further increase in the allowance for ECLs or amount of debt written off in future periods (and vice-versa).

Pre COVID-19 trade debtors

An ECL of $5.7 million has been recognised for the full value of debt outstanding relating to months prior to the outbreak of COVID-19 (which the Group has assessed as months prior to 1 March 2020) (30 June 2020: $18.9 million). Given this debt is well overdue and largely relates to tenants experiencing trading difficulties prior to the outbreak of COVID-19, its collection is viewed as highly unlikely.

COVID-19 impacted trade debtors

ECLs on debt relating to months subsequent to the outbreak of COVID-19 (period post 1 March 2020) were determined based on the total debt outstanding for each tenant as it was a better reflection of the overall credit risk within the portfolio given ongoing rent assistance negotiations. The ECL of $108.6 million relating to these debtors contained the following components:

- $51.0 million for estimated rent waivers from ongoing rental assistance negotiations across the portfolio (30 June 2020: $100.4 million);
- $57.6 million additional allowances for the difference between cash flows contractually receivable by the Group (after deducting estimated rent waivers) and the cash flows the Group expects to receive (30 June 2020: $26.9 million). The estimate of cash flows remaining to be collected by the Group was determined by:
  - Calculating the actual average cash collection rates observed across the portfolio for tenants where rental assistance negotiations had been fully completed and processed or where rental assistance was not required. These collection rates were determined across billings from the start of the COVID-19 impacted period to those in excess of 90 days overdue at 30 June 2021 (i.e. billings relating to the period 1 April 2020 to 31 March 2021).
  - Calculating the actual average cash collection rates for certain segments of tenants (e.g. SME, Major Chain, National Chain), centre types (e.g. CBD, Non-CBD) and geographic locations (e.g. Victoria, New South Wales).
  - Applying these observed cash collection rates to the outstanding debt balance, after deducting estimated rent waivers, for tenants where rental assistance negotiations are ongoing and debt is less than 90 days overdue to ascertain an estimate of the remaining credit risk.

Amounts deferred

A $16.6 million allowance was recognised for ECLs on rentals deferred and expected to be deferred (30 June 2020: $23.4 million). On average this represents 74% of the total rentals for which payment is expected to be deferred (30 June 2020: 74%).

Movements in the allowance for ECLs

The movement in the allowance for ECLs in respect of trade receivables during the year was as follows:

	30-Jun-21 $m	30-Jun-20 $m
Opening balance at 1 July	**(169.6)**	(7.3)
Amounts written off as uncollectible	**5.8**	6.2
Rental waivers granted	**120.9**	–
Net remeasurement of prior period allowances[1]	**72.4**	–
Loss allowance on receivables originated during the current period	**(160.4)**	(168.5)
Closing balance at 30 June	**(130.9)**	(169.6)

1. The opening allowance for expected credit losses at 1 July 2020 was remeasured by $72.4 million due to better outcomes than anticipated in the Group's rent waiver negotiations and cash collections relative to assumptions adopted at 30 June 2020.

Sensitivities

The key inputs and assumptions in determining the allowance for ECLs were the likely outcome of rental waivers arising from rental assistance negotiations and average cash collection percentages observed. The allowance for ECLs has the following sensitivity to changes in these inputs:

- Rental waivers: changing the average estimated rental waivers by +/- 100bps would result in an increase/decrease of $0.2 million in the allowance for ECLs (30 June 2020: $0.7 million).
- Average cash collections: changing the average cash collection percentage used as an input to the calculation of ECLs for each tenant and centre type assessed by +/- 100bps would result in a $2.4 million decrease and a $2.8 million increase in the allowance for ECLs (30 June 2020: not applicable).

11. Payables and other financial liabilities

Payables and other financial liabilities represent liabilities for goods and services provided to the Group prior to the end of the financial year and that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are carried at amortised cost and are not discounted due to their short-term nature. At 30 June 2021, the carrying value of payables and other financial liabilities approximated their fair value.

	30-Jun-21 $m	30-Jun-20 $m
Trade payables and accrued expenses	**97.1**	72.9
Lease rental income and property outgoings recovery revenue received in advance[1]	**22.6**	12.2
Accrued interest expense	**14.7**	13.0
Accrued capital expenditure	**6.4**	13.1
Security deposits	**0.6**	0.4
Other	**6.8**	12.0
Total payables and other financial liabilities	**148.2**	123.6

1. Largely represents amounts received in advance relating to the following month's lease rental income and property outgoings recovery revenue.

WORKING CAPITAL CONTINUED

12. Provisions

Provisions comprise liabilities arising from employee benefits, such as annual leave and long service leave, as well as provisions for stamp duty, land tax levies and other items for which the amount or timing of the settlement is uncertain as it is outside the control of the Group.

Where the provisions are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the obligation arises, the liability is discounted to present value based on management's best estimate of the timing of settlement and the expenditure required to settle the liability at the reporting date.

The discount rates used to determine the present value of employee-related provisions are determined by reference to market yields at the end of the reporting period attaching to high-quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows of the related liability.

	30-Jun-21 $m	30-Jun-20 $m
Current		
Current employee entitlements	**52.5**	25.3
Other current provisions	**27.3**	26.3
Total current provisions	**79.8**	51.6
Non-current		
Non-current employee entitlements	**3.7**	4.0
Other non-current provisions	**0.2**	0.9
Total non-current provisions	**3.9**	4.9

The movements for the year in other provisions are as follows:

	30-Jun-20 $m	Arising during the year $m	Paid during the year $m	Other movements $m	30-Jun-21 $m
Current					
Stamp duty	6.0	–	–	–	**6.0**
Land tax levies	19.7	20.5	(19.7)		**20.5**
Other	0.6	–	(0.5)	0.7	**0.8**
Total other current provisions	26.3	20.5	(20.2)	0.7	**27.3**
Non-current					
Other	0.9	–	–	(0.7)	**0.2**
Total other non-current provisions	0.9	–	–	(0.7)	**0.2**

13. Key Management Personnel

The remuneration of the Key Management Personnel (KMP) of the Group is disclosed in the Remuneration Report. The compensation of KMP included in the Group's financial statements comprises:

For the 12 months to:	30-Jun-21 $'000	30-Jun-20 $'000
Short-term employee benefits – Executive KMP	**4,460**	3,006
Short-term employee benefits – Non-executive KMP	**1,566**	1,681
Termination benefits	**397**	-
Share based payments	**1,196**	275
Post-employment benefits	**178**	189
Other long-term employee benefits	**311**	40
Total remuneration of KMP of the Group	**8,108**	5,191

14. Employee benefits expense

Employee benefits expense consists of:

For the 12 months to:	Note	30-Jun-21 $m	30-Jun-20 $m
Salaries and wages		**90.9**	58.4
Share based payments expense	15(a)	**2.9**	3.7
Other employee benefits expense		**3.8**	0.7
Total employee benefits expense		**97.6**	62.8

Impact of the COVID-19 pandemic

Until September 2020, the Group was eligible for the initial phase of the Federal Government JobKeeper wage subsidy program. Gross payments received in the current year were $12.4 million (30 June 2020: $10.8 million).

Cost saving measures undertaken in financial year 2020 in relation to employee benefits included full or partial stand-downs of a significant number of employees, the cancellation of the Short-Term Incentive program and a 20% reduction in total fixed remuneration and base fees respectively for the Executive Committee and the Board from 1 April through to 30 June 2020.

15. Share based payments

The Group remunerates eligible employees through three equity settled compensation plans. These plans are designed to align executives', senior management's and team members' interests with those of securityholders by incentivising participants to deliver long-term shareholder returns. A summary of each plan is described below:

Plan	Description
Long Term Incentive (LTI)	Executives and senior management are granted performance and restricted rights (rights) to acquire Vicinity securities for nil consideration. Performance rights vest after completion of a four-year service period and restricted rights vest after completion of 2 to 4 year service period and when certain hurdle requirements, which are set when the rights are granted, are met. These hurdle requirements are: • Total Return (TR) and Total Securityholder Return (TSR) relative to the S&P/ASX 200 A-REIT (Australian Real Estate Investment Trust) Index, excluding Unibail Rodamco Westfield (ASX:URW). In FY21, the TR performance rights were replaced with restricted rights. Restricted rights have been provided at a face value equal to 50% of the previous TR performance rights. The vesting of restricted rights is based on individual performance and service conditions. • For the FY20 awards, achievement of the TR and TSR hurdle will be assessed at the end of the four-year service period. For performance rights awarded prior to FY20, the TR and TSR hurdle requirements are assessed after three years with performance rights conditionally vesting subject to a further year of service. Hurdle requirements are set out in Note 15(b).
Short Term Incentive (STI)	The STI provides the opportunity to receive an annual performance-based incentive payment, when a combination of short-term Group financial and individual performance objectives is achieved. For executives and senior management, a portion of the annual STI payment is deferred into equity for a period of 12 to 24 months. The amounts deferred will become available to the employee at the end of the deferral period provided they remain employed by the Group. The STI plan for FY20 was suspended in response to the COVID-19 pandemic.
Tax Exempt Restricted Securities Plan (TERSO)	$1,000 worth of Vicinity securities are granted annually to eligible employees for nil consideration. Securities granted under the plan are subject to a three-year trading restriction unless the employee ceases to be employed by the Group. Participants in the LTI do not participate in the TERSO.

Further details relating to the LTI and STI plans are included in Note 15(b).

(a) Expenses and movements relating to share based payment plans

The following expenses and movements were recognised within employee benefits expense and share based payment reserves in relation to the share based payment compensation plans.

	30-Jun-21 $m	30-Jun-20 $m
Long Term Incentive	**2.0**	0.5
Short Term Incentive[1]	**–**	2.1
Tax Exempt Restricted Securities Plan[2]	**0.9**	1.0
Other share based payments	**–**	0.1
Total share based payments	**2.9**	3.7

1. As described in Note 15(b), this amount represents the value of STI deferred into equity relating to the prior financial year.
2. A total of 561,666 securities were granted under TERSO during the year (30 June 2020: 398,184).

The movement in the number of LTI performance rights during the year was as follows:

	30-Jun-21 Number	30-Jun-20 Number
Opening balance at the beginning of the year	**8,169,800**	7,793,688
Granted	**3,986,854**	3,496,129
Forfeited and lapsed[1]	**(3,086,163)**	(2,096,069)
Vested	**–**	(1,023,948)
Outstanding at the end of the year	**9,070,491**	8,169,800
Exercisable at the end of the year	**nil**	nil
Weighted average remaining contractual life	**2.05**	2.13

1. The performance period for the FY18 LTI plan ended on 30 June 2020. Performance hurdles were subsequently tested in July 2020 with no performance rights vested and 2,314,791 lapsed. 771,372 rights were forfeited under the FY19–FY21 plans.

(b) Plan details

Long Term Incentive plan conditions

Features of the LTI on issue during the financial year are:

	Performance Rights (PRs)	Restricted Rights (RRs)
Grant years	FY21: PRs subject to Total Securityholder Return (TSR) hurdles FY20, FY19, and FY18: PRs subject to TSR (50%) and Total Return (TR) (50%) hurdles	FY21 (based on 50% of the value normally attributable to TR)
Performance period	Commencing from 1 July of the grant year: • FY21 and FY20: Four years • FY19 and FY18: Three years	Graded vesting from 1 July of the grant year: • Tranche 1 (25%): Two years • Tranche 2 (25%): Three years • Tranche 3 (50%): Four years
Service period	Four years	Between two and four years
Performance hurdles[1]	**TSR:** Relative TSR combines the security price movement and distributions (which are assumed to be re-invested) to show the total return to securityholders, relative to that of other companies in the TSR Comparator Group. **TR** is calculated in each year of the performance period as: Change in Vicinity's net tangible assets (NTA) value during the year plus total distributions made divided by the NTA value at the beginning of the year. The annual TR result for each year during the performance period is then used to calculate the compound annual TR for the performance period.[2]	Subject to effective performance as assessed by the Board, taking into consideration the financial, strategy, portfolio, leadership, risk, governance and other applicable objectives over the respective performance periods.
TSR Comparator Group	S&P/ASX 200 A-REIT Index excluding Westfield Corporation and Unibail Rodamco Westfield[3]	n/a

1. For the purposes of LTI plan assessment, each performance hurdle operates independently of the other.
2. To ensure that the TR performance rights vesting reflects the value created from the efficient management of the Group's assets and there is no undue advantage, penalty or disincentive for undertaking certain activities TR outcomes may be adjusted. Both upwards and downwards adjustments can be made, with reference to principles agreed by the Remuneration and Human Resources Committee.
3. Westfield Corporation (ASX: WDC) merged with Unibail Rodamco to form Unibail Rodamco Westfield (URW) in May 2018. WDC was de-listed from the ASX and a CHESS depository interest for URW (ASX: URW) was listed on the ASX. The TSR comparator group excludes WDC and URW.

15. Share based payments continued

(b) Plan details continued

Valuation of Long Term Incentive plans

The fair value of performance rights granted under the LTI is estimated at the date of grant using a Monte Carlo Simulation Model taking into account the terms and conditions upon which the performance rights were granted. For grants with non-market vesting conditions (TR and RR), the grant date fair value is expensed over the vesting period and adjusted to reflect the actual number of rights for which the related service and non-market vesting conditions are expected to be met. The grant date fair value of awards with market performance conditions (TSR) reflects the probability of these conditions being met and hence the expense recognised over the vesting period is only adjusted for changes in expectations as to whether service criteria will be met.

A number of assumptions were used in valuing the performance rights at the grant date as shown in the table below:

Assumption	Basis	FY21 Performance and Restricted Rights	FY20 Plan
Distribution yield	Expected annual distribution rate over the next four years.	**4.4%**	5.9%
Risk-free interest rate	Four-year government bond yields as at grant date.	**0.1%**	0.7%
Volatility correlation between Vicinity and other comparator companies	Analysis of historical total security return volatility (i.e. standard deviation) and the implied volatilities of exchange traded options.	**60.0%**	60.0%
Volatility of Vicinity securities	As above.	**32.0%**	14.0%
TSR of Vicinity securities	Performance between the start date of the testing period and the valuation date.	**2.5%**	4.5%
Security price at measurement date	Closing Vicinity securities price at grant date.	**$1.67**	$2.62
Fair value per right – TR		**–**	$2.08
Fair value per restricted right – tranche 1		**$1.55**	n/a
Fair value per restricted right – tranche 2		**$1.49**	n/a
Fair value per restricted right – tranche 3		**$1.42**	n/a
Fair value per right – TSR		**$0.63**	$0.81

Short Term Incentive plan

The number of securities granted and deferred under the STI plan during the year ended 30 June 2021 relating to incentive payments earned in the year ended 30 June 2020 was nil (30 June 2020 relating to the year ended 30 June 2019: 802,204). The fair value of these securities was nil per security (30 June 2020: $2.58). The STI plan for FY20 was suspended in response to the COVID-19 pandemic.

OTHER DISCLOSURES

16. Intangible assets

(a) Background

Intangible asset balances at 30 June 2021 relate to the value of external management contracts.

The external management contracts were recognised upon business combinations at their fair value at both the date of Novion Property Group's acquisition of the Commonwealth Bank of Australia's property management business (on 24 March 2014) and the merger of Novion Property Group and Federation Centres (on 11 June 2015). They reflect the right to provide asset management services to strategic partners who co-own investment property assets with the Group and accordingly are allocated to the Strategic Partnerships cash-generating unit (SP CGU), which is also an operating and reportable segment. As the management contracts do not have termination dates, they are considered to have indefinite lives and are not amortised.

Prior to 30 June 2020, the Group also recognised goodwill with a carrying value of $427.0 million relating to the abovementioned business combination transactions. This amount was impaired at 30 June 2020 following an impairment test of the Property Investment CGU (PI CGU) to which goodwill was allocated.

The carrying value of the intangible asset is shown in the table below:

	30-Jun-21 $m	30-Jun-20 $m
External management contracts	**164.2**	164.2
Carrying value	**164.2**	164.2

(b) Impairment testing

The Group performs impairment testing for indefinite life intangible assets at least annually, or when there are other indicators of impairment. No impairment charge was required at 30 June 2021 (30 June 2020: $427.0 million).

Assumptions and inputs within impairment calculations

Key inputs used in determining the recoverable amounts were determined as follows:

- The discount rates were calculated based on the Group's estimated weighted average cost of capital, with reference to the Group's long-term average cost of debt and estimated cost of equity, which is derived with reference to external sources of information and the Group's target gearing ratio, adjusted for specific risk factors to the relevant CGU.
- Terminal growth rates were estimated with reference to long-term expectations of macroeconomic conditions (including consideration of equity analyst estimates) and the Group's expected long-term earnings growth.
- Five-year forecast operating, asset and funds management cash flows based on the values determined by the Group's budgeting and planning process. Given the significant uncertainty as to the impacts of the COVID-19 pandemic over the short, medium and long term, the Group assessed the outcomes of a number of cash flow scenarios particularly with varying degree of reduction in property management fees over the forecast period, when conducting impairment testing at 30 June 2021.

The determination of the key assumptions and inputs to the impairment testing process as outlined above requires a significant level of estimation. As a result, the recoverable amount of the SP CGU (as determined by the impairment testing processes outlined below) is subject to variability in these key assumptions or inputs. A change in one or more of the key assumptions or inputs could result in a change in assessed recoverable amount.

Property Investment CGU (Goodwill)

The impairment test completed in the prior year determined that the carrying value of the PI CGU exceeded its recoverable amount. Accordingly, a $427.0 million impairment was recognised in respect of the PI CGU's goodwill in the financial year ended 30 June 2020. The impairment was principally driven by the impacts of COVID-19 on the property portfolio and internal property management business, as well as an increase in the Group pre-tax discount rate caused by an increase in volatility in the Group's share price.

16. Intangible assets continued

(b) Impairment testing continued

Strategic Partnerships CGU (external management contracts)

The recoverable amount of the SP CGU is determined using a fair value less cost of disposal (fair value) approach. This is performed using a collective discounted cash flow (DCF) valuation of the cash flows generated from external asset and funds management contracts, which is based on the following key assumptions:

Key assumption	30-Jun-21	30-Jun-20
Post-tax external management contract cash flows	**5 years**	5 years
Terminal growth rate	**2.10%**	2.10%
Post-tax discount rate range	**6.69% – 7.19%**	6.69% – 7.19%

The impairment test at 30 June 2021 determined that the recoverable amount of the SP CGU exceeded its carrying value and no impairment was required.

Sensitivity to changes in assumptions

Sensitivities to the key assumptions within the external management contracts DCF were also tested and the Group has determined that due to the long-term nature of the asset management contracts and associated cash flows, no reasonably possible changes would give rise to impairment at 30 June 2021. A disposal of a significant value of directly owned or equity accounted investment property assets, where the Group also gives up any future management rights under existing finite or indefinite life contracts, may lead to the full or partial derecognition of the intangible asset balance, as external asset management fees earned by the Group may no longer be sufficient to support the current carrying value of these intangible assets.

As forecast cash flows, discount rate and growth rate are unobservable inputs into the valuation process, the recoverable amounts determined for the SP CGU by the Group's impairment testing process are considered Level 3 in the fair value hierarchy.

17. Leases

All leases (lessee accounting) are accounted for by recognising a right of use asset and a lease liability except for leases of low value assets and short-term leases.

Lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term (which includes any extension option periods assessed as reasonably certain to be exercised). The discount rate applied is determined by reference to the interest rate implicit in the lease unless (as is typically the case) this is not readily determinable, in which case the lessee's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate, initially measured using the index or rate as at the commencement date. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from modification, a change in an index or rate, when there is a change in the assessment of the term of any lease or a change in the assessment of purchasing the underlying asset.

Right of use assets

Right of use assets are initially measured at the amount of the lease liability recognised, adjusted for any prepaid lease payments, initial direct costs incurred and an estimate of costs to be incurred by the lessee in restoring the site on which it is located.

Subsequent to initial measurement, right of use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term. Right of use assets are also subject to assessment for impairment.

Right of use assets and net investments in leases and lease liabilities are presented separately in the Balance Sheet. Right of use assets relating to investment properties are included within the investment property balance.

(a) Movements for the year

The table below show the movements in the Group's lease related balances for the year:

	30-Jun-21			30-Jun-20		
	Assets	Lease liabilities		Assets	Lease liabilities	
For the 12 months to:	Right of use assets, net of investments in leases $m	Investment property leaseholds $m	Other leases $m	Right of use assets, net of investments in leases $m	Investment property leaseholds $m	Other leases $m
Opening balance – 1 July	**32.9**	**(279.5)**	**(38.2)**	41.5	(266.4)	(45.5)
Interest charge on lease liabilities	**0.1**	**(25.3)**	**(1.6)**	–	(18.7)	(1.8)
Lease (receipts)/payments[1]	**(1.4)**	**24.4**	**9.2**	(1.3)	19.4	9.2
New leases during the period	**1.3**	**(1.1)**	**(1.5)**	(0.1)	(10.7)	(0.1)
Market rent reassessment	**–**	**(74.9)**	**–**	–	(3.1)	–
Depreciation	**(6.1)**	**–**	**–**	(6.1)	–	–
Impairment of right of use asset	**–**	**–**	**–**	(1.1)	–	–
Closing balance – 30 June[2]	**26.8**	**(356.4)[3]**	**(32.1)**	32.9	(279.5)[3]	(38.2)

1. Lease payments (net of sub lease receipts) includes $5.4 million (30 June 2020: $6.7 million) in principal repayments and $26.8 million (30 June 2020: $20.6 million) in interest charges on lease liabilities.
2. Total lease liabilities of $388.5 million (30 June 2020: $317.7 million) represents $34.1 million of current lease liabilities (30 June 2020: $29.3 million) and $354.4 million of non-current lease liabilities (30 June 2020: $288.4 million).
3. As disclosed in Note 4(d), a number of the Group's investment properties are held under long-term leasehold arrangements. The lease liabilities in relation to these investment property leaseholds meet the definition of investment property and are presented within investment property in Note 4(a).

(b) Lease liabilities maturity profile

The table below shows the undiscounted maturity profile of the Group's lease liabilities due as follows:

	30-Jun-21 $m	30-Jun-20 $m
Lease liabilities		
Not later than one year	**34.1**	35.4
Later than one but not more than five years	**119.8**	114.3
More than five years	**847.6**	543.6
Total	**1,001.5**	693.3

The Group also recognised variable lease payments of $14.5 million during the year (30 June 2020: $12.5 million). These related primarily to investment property leaseholds where a component of lease payments is based on profitability achieved by the relevant property. As these lease payments are variable in nature, they are not included within the investment property leaseholds lease liability balance.

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18. Operating cash flow reconciliation

The reconciliation of net loss after tax for the year to net cash provided by operating activities is provided below.

For the 12 months to:	30-Jun-21 $m	30-Jun-20 $m
Net loss after tax for the financial year	**(258.0)**	(1,801.0)
Exclude non-cash items and cash flows under investing and financing activities:		
Amortisation of incentives and leasing costs	**58.3**	57.8
Straight-lining of rent adjustment	**(1.9)**	(8.8)
Property revaluation decrement for directly owned properties	**642.7**	1,717.9
Share of net loss of equity accounted investments	**34.2**	124.1
Distributions of net income from equity accounted investments	**14.0**	21.5
Amortisation of non-cash items included in interest expense	**3.1**	3.2
Net foreign exchange movement on interest bearing liabilities	**(77.5)**	13.1
Net mark-to-market movement on derivatives	**119.9**	(59.8)
Stamp duty paid	**–**	3.7
Impairment of intangible assets	**–**	427.0
Depreciation of right of use asset	**6.1**	6.1
Income tax expense	**10.9**	12.1
Other non-cash items	**6.0**	6.1
Movements in working capital:		
Increase/(decrease) in payables, provisions and other liabilities	**58.1**	(16.9)
Decrease/(increase) in receivables and other assets	**30.9**	(34.1)
Net cash inflow from operating activities	**646.8**	472.0

19. Auditor's remuneration

During the year, the following fees were paid or payable for services provided by the auditor of the Group, EY, or its related practices.

For the 12 months to:	30-Jun-21 $'000	30-Jun-20 $'000
Audit and review of statutory financial statements of Group and its controlled entities	**1,454**	1,121
Assurance services required by legislation to be provided by the auditor	**19**	18
Other assurance and agreed-upon procedures services under other legislation or contractual arrangements		
Property related audits[1]	**227**	200
Other assurance services and agreed upon procedures required under contract	**46**	116
Total other assurance services under other legislation or contractual arrangements	**273**	316
Other services		
Taxation compliance services	**272**	322
Assurance and other services	**29**	45
Total other services	**301**	367
Total auditor's remuneration	**2,047**	1,822

1. Comprises audits of outgoing statements, promotional funds, real estate trust account audits and joint venture audits required under legislation or contract.

20. Parent entity financial information

(a) Summary financials

The financial information presented below represents that of the legal parent entity, and deemed parent entity of the stapled Group, Vicinity Limited. Vicinity Limited recognises investments in subsidiary entities at cost, less any impairment since acquisition. Other accounting policies applied by Vicinity Limited are consistent with those used for the preparation of the consolidated Financial Report.

	30-Jun-21 $m	30-Jun-20 $m
Balance Sheet		
Current assets	**2.2**	13.2
Total assets	**633.1**	664.6
Current liabilities	**(14.4)**	(12.8)
Total liabilities	**(428.3)**	(469.3)
Net assets	**204.8**	195.3
Equity		
Contributed equity	**515.6**	513.8
Share based payment reserve	**(5.0)**	(6.6)
Accumulated losses	**(305.8)**	(311.9)
Total equity	**204.8**	195.3
Net profit for the financial year of Vicinity Limited as parent entity	**6.1**	7.5
Total comprehensive income for the financial year of Vicinity Limited	**6.1**	7.5

Vicinity Limited has access to the Group's cash flow from operations and undrawn bank facilities in order to pay its current obligations as and when they fall due.

The parent entity has no capital expenditure commitments which have been contracted but not provided for, or contingencies as at reporting date. Guarantees provided to subsidiary entities are disclosed at Note 21(b) and predominantly relate to fulfilling capital requirements under Australian Financial Services Licences held by these subsidiaries.

(b) Stapled entity allocation of net profit

In accordance with AASB 3 *Business Combinations*, the Company is the parent of the Vicinity Centres stapled group for accounting purposes. As the Company has no legal ownership over Vicinity Centres Trust and its controlled entities, the allocation of net profit and net assets is shown separately for the Company and the Trust in the Statement of Comprehensive Income and Statements of Changes in Equity.

21. Related parties

(a) Background

The deemed parent entity of the Group is Vicinity Limited, which is domiciled and incorporated in Australia. All subsidiaries and sub-trusts of the Group are wholly-owned subsidiaries of Vicinity Limited or sub-trusts of Vicinity Centres Trust as at 30 June 2021.

(b) Information on related party transactions and balances

Vicinity Funds RE Ltd, a wholly-owned subsidiary of the Group, is the Responsible Entity/Trustee of the following funds (collectively known as the Wholesale Funds managed by the Group):

- Direct Property Investment Fund A (DPIF-A);
- Direct Property Investment Fund B (DPIF-B);
- Vicinity Enhanced Retail Fund (VERF); and
- Australian Investments Trust (AIT).

The transactions with the Wholesale Funds, on normal commercial terms, and the balances outstanding at 30 June 2021 are outlined in the tables below. Transactions and balances relating to equity accounted investments are disclosed in Note 5(d).

21. Related parties continued

(b) Information on related party transactions and balances continued

Related party balances with Wholesale Funds

	Funds management fee receivable		Alignment fee payable	
	30-Jun-21 $'000	30-Jun-20 $'000	30-Jun-21 $'000	30-Jun-20 $'000
Wholesale Funds managed by the Group	**528**	597	**77**	91

Outstanding related party trade receivables balances at year end are unsecured and settlement occurs in cash. The Group does not hold any collateral in relation to related party receivables.

Related party transactions with Wholesale Funds

For the 12 months to:	30-Jun-21 $'000	30-Jun-20 $'000
Asset and funds management fee income	**4,324**	4,617
Reimbursement of expenses to the property manager	**1,210**	1,804
Distribution income	**33**	40
Alignment fee expense	**(319)**	(365)
Rent and outgoings expenses	**(164)**	(217)

22. Commitments and contingencies

(a) Capital commitments

Estimated capital expenditure contracted for at reporting date, but not provided for:

	30-Jun-21 $m	30-Jun-20 $m
Not later than one year	**78.8**	45.3
Later than one year and not later than five years	**0.1**	–
Total capital commitments	**78.9**	45.3

(b) Contingent assets and liabilities

Bank guarantees totalling $41.9 million have been arranged by the Group, primarily to guarantee obligations for two of the Group's Responsible Entities to meet their financial obligations under their Australian Financial Services Licences and other capital requirements (30 June 2020: $44.6 million).

As at reporting date, there were no other material contingent assets or liabilities.

23. Other Group accounting matters

This section contains other accounting policies that relate to the financial statements, detail of any changes in accounting policies and the impact of new or amended accounting standards.

Principles of consolidation

These consolidated financial statements comprise the assets and liabilities of all controlled entities at 30 June 2021 and the results of all controlled entities for the financial year unless otherwise stated. Controlled entities are:

- all entities over which the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity; and
- fully consolidated from the date on which control is transferred to the Group, and, where applicable, deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities, and the balances and effects of transactions between all controlled entities are eliminated in full.

Vicinity Limited is the parent of the stapled Group for accounting purposes. The results and equity attributable to Vicinity Centres Trust (that is, the amounts shown as attributable to securityholders of other stapled entities of the Group) are shown prior to the elimination of transactions between Vicinity Limited and Vicinity Centres Trust.

Investments in joint operations

Included in investment properties are shopping centres that are accounted for as joint operations – in the form of direct ownership of a partial freehold or leasehold interest in a shopping centre with a strategic partner, based on standard market joint operation agreements. The Group accounts for joint operations by recognising its share of the shopping centre, classified as investment property, and its share of other assets, liabilities, income and expenses from the use and output of the joint operation.

Fair value measurement

The Group has classified fair value measurements into the following hierarchy as required by AASB 13 *Fair Value Measurement*:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Future impact of Accounting Standards and Interpretations issued but not yet effective

There are no accounting standards or interpretations issued but not yet effective that are expected to have a material impact on the Group's financial position or performance.

24. Events occurring after the end of the reporting period

Snap lockdowns including New South Wales

In the period between 30 June 2021 and the date of this report, snap lockdowns, interstate border closures and changing restriction levels continue to be observed across several states in response to COVID-19 outbreaks. In particular, the recent outbreak of the Delta strain continues to impact New South Wales with the state government imposing tightened restrictions on movement and further extending the period of lockdown to contain the outbreak. These restrictions and any future further restrictions will unfavourably impact the Group's rental collections and financial performance in FY22.

In addition, as disclosed in Note 4(c) to the financial statements, the Group considered the impact of snap lockdowns and changing restriction levels up to 30 June 2021 in determining investment property fair values at 30 June 2021.

Commercial Tenancy Relief for Businesses in Victoria and New South Wales

The Victoria and New South Wales state governments announced the reintroduction of the Commercial Tenancy Relief Scheme and the amendment of the Retail and Other Commercial Leases (COVID-19) Regulation 2021 (collectively the Schemes), on 28 July 2021 and 13 August 2021 respectively. Landlords will be required to provide proportional rent relief to eligible businesses in accordance with the Schemes. While the Schemes are in effect, landlords will not be able to lock out, evict tenants, or terminate leases due to non-payment during the COVID-19 pandemic period, without a determination from the relevant authorities. Vicinity will act in good faith and in accordance with the principles of the Schemes where applicable.

COVID-19 pandemic

The duration, frequency and extent of such restrictions and the financial, social and public health impacts of the COVID-19 pandemic remain uncertain, and therefore the Group cannot quantify the impact that COVID-19 may have on future periods. Disclosures have been included within the Financial Report on the potential impact that the uncertainty on the reported amounts of relevant revenues, expenses, assets and liabilities for the year ended 30 June 2021 and future periods where relevant.

Other than the matters described above, no other matters have arisen since the end of the reporting period which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Vicinity Limited, we declare that:

(a) in the opinion of the Directors, the financial statements and notes set out on pages 82 to 131 are in accordance with the *Corporations Act 2001* (Cth), including:

   i. giving a true and fair view of the Group and its controlled entities' financial position as at 30 June 2021 and of the performance for the financial year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth); and

   iii. complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in the About this Report section of the financial statements; and

(b) in the opinion of the Directors, there are reasonable grounds to believe that the Group and its controlled entities will be able to pay their debts as and when they become due and payable; and

(c) the Directors have been given the Declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* (Cth) for the financial year ended 30 June 2021.

Signed in accordance with a resolution of the Directors of Vicinity Limited.

Trevor Gerber
Chairman

18 August 2021

INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the Members of Vicinity Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Vicinity Limited (the "Company"), and the entities it controlled (collectively "Vicinity Centres" or the "Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated balance sheet of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Shopping Centre Investment Property Portfolio – Carrying Values and Revaluations

Why significant	How our audit addressed the key audit matter
The Group owns a portfolio of retail property assets valued at $13,294.3 million at 30 June 2021, which represents 93.0% of total assets of the Group. In addition, there are retail property assets valued at $577.6 million held through interests in Joint Ventures. The Group's total assets include investment properties either held directly or through interests in Joint Ventures. These assets are carried at fair value, which is assessed by the directors with reference to external and internal property valuations and are based on market conditions existing at the reporting date. The valuation of investment properties is inherently subjective. A small difference in any one of the key market input assumptions, when aggregated across all the properties, could result in a material change to the valuation of investment properties. We consider this a key audit matter due to the number of judgments required in determining fair value. *Impact of COVID-19 on investment property values* Given the market conditions at balance date, the majority of the independent valuers have reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. The disclosures in the financial statements provide particularly important information about the assumptions made in the property valuations and the market conditions at 30 June 2021. We draw attention to Note 4 of the financial report which describes the material valuation uncertainty and the impact of the COVID-19 pandemic on the determination of fair value of investment properties and how this has been considered by the directors in the preparation of the financial report at 30 June 2021. Due to the material valuation uncertainty arising from the COVID-19 pandemic the property values may change significantly and unexpectedly over a relatively short period of time.	Our audit procedures included the following for both properties held directly and through interests in Joint Ventures: ► We discussed the following matters with management: ► movements in the Group's investment property portfolio; ► changes in the condition of each property, including an understanding of key developments and changes to development activities; ► controls in place relevant to the valuation and development processes; and ► the impact that COVID-19 has had on the Group's investment property portfolio including rent abatements offered to tenants and tenant occupancy risk arising from changes in the estimated lease renewals. ► On a sample basis, we performed the following procedures: ► Evaluated the key assumptions and agreed key inputs to tenancy schedules. We tested the effectiveness of relevant controls over the leasing process and associated tenancy reports which are used as source data in the property valuations. ► Assessed whether changes to lease arrangements as a result of COVID-19 had been factored into the valuations and that changes in tenant occupancy risk were also considered. ► Tested the mathematical accuracy of valuations. ► Involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies. ► Where relevant we compared the valuation against comparable transactions utilised in the valuation process. ► Evaluated the suitability of the valuation methodology across the portfolio based on the type of asset. We considered the reports of the external and internal valuers, to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This included key assumptions such as the capitalisation, discount or growth rate and future forecast rentals. We have also considered the 'material valuation uncertainty' disclosure included in the valuation reports and any other restrictions imposed on the valuation process (if any) and the market conditions at balance date. ► Assessed the qualifications, competence and objectivity of the valuers.

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Why significant	How our audit addressed the key audit matter
	▶ Assessed capitalised planning and holding costs relating to planned major development projects. ▶ Considered the additional valuation adjustments made as a result of the increase in COVID-19 cases and lockdowns observed in New South Wales in late June 2021. ▶ We have considered whether there have been any indicators of material changes in property valuations from 30 June 2021 up to the date of our opinion or any matters emerging since 30 June 2021 which provide evidence of a material change in valuation at that date. We involved our real estate valuation specialists to assist us in making this assessment. ▶ We have considered whether the financial report disclosures, in particular those relating to the material valuation uncertainty of the Investment Property portfolio, are appropriate.

2. Carrying value of trade receivables

Why significant	How our audit addressed the key audit matter
As at 30 June 2021, the Group held $31.0 million in trade receivables, net of $130.9 million allowance for expected credit losses. Trade receivables primarily comprise amounts due from tenants of the Group's investment properties under lease agreements, less an allowance for expected credit losses. The Group applies Australian Accounting Standard - AASB 9 Financial Instruments in calculating the allowance for expected credit losses, applying a forward-looking expected loss impairment model. This involves significant judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions. The recoverability of trade receivables is considered a key audit matter due to the value of uncollected rental income at 30 June 2021 and the significant judgement required in determining the allowance for expected credit losses. The rapidly changing and uncertain trading and economic environment and the uncertain outcome of rental assistance negotiations with tenants have all contributed to significant estimation uncertainty in determining the allowance for expected credit losses at 30 June 2021. We draw attention to Note 10 of the financial report which describes the impact of the COVID-19 pandemic on the trade receivables and the related allowance for expected credit losses and how this has been considered by the directors in the preparation of the financial report at 30 June 2021. We note in the event the impact of COVID-19 varies from conditions anticipated at balance date, this may result in a change in the expected credit loss provision in future periods.	In assessing the carrying value of trade receivables, we: ▶ Assessed the effectiveness of relevant controls in relation to tenant lease arrangements, including lease modifications. ▶ Tested the existence of trade receivables for a sample of tenant balances. ▶ Assessed receipts after year-end to determine any material change to exposure at the date of the financial report. ▶ Assessed whether the inputs into the determination of expected credit losses were consistent with the principles of AASB 9 and tested the mathematical accuracy of the calculations. ▶ Assessed management's application of cash collection trends observed during the period and the adjustments applied to cash collection rates and estimated waivers which reflects forward-looking considerations. ▶ Evaluated the key assumptions applied in calculating expected credit losses, for a sample of tenants. ▶ Assessed the adequacy of the Group's disclosures in relation to the valuation uncertainty of trade receivables included in the financial report, including the assumptions, estimations and judgements made in calculating the allowance for expected credit losses.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in Vicinity Centres' 2021 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Vicinity Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

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Responsibilities

The directors are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Alison Parker	Michael Collins
Partner	Partner
Melbourne	Melbourne
18 August 2021	18 August 2021

SUMMARY OF SECURITYHOLDERS

as at 30 July 2021

Spread of securityholders

Range	Number of securityholders	Number of securities	% of issued securities
100,001 and over	329	4,322,744,957	94.96
10,001 to 100,000	6,775	159,987,092	3.51
5,001 to 10,000	5,405	40,036,964	0.88
1,001 to 5,000	9,382	26,166,532	0.57
1 to 1,000	7,031	3,339,813	0.07
Total	**28,922**	**4,552,275,358**	**100**

The number of securityholders holding less than a marketable parcel of 322 securities (based on a security price of $1.555 on 30 July 2021) is 2,321 and they hold 351,672 securities.

On-market purchase of securities

During FY21, 203,275 Vicinity securities were purchased on-market at an average price per security of $1.5701 by the trustee for the EESP, STI and LTI to satisfy entitlements under these plans.

Substantial securityholders[1]

Company name	Date last notice received	Number of securities[2]
The Gandel Group Pty Limited and its associates	9 June 2020	691,238,665
The Vanguard Group, Inc. and its controlled entities	29 June 2021	389,569,636
BlackRock Inc. and its subsidiaries	22 May 2020	294,348,228
BNP Paribas Nominees Pty Limited as custodian for UniSuper Limited	8 April 2019	269,126,539
State Street Corporation and subsidiaries	13 March 2019	234,217,711

1. As notified to Vicinity in accordance with section 671B of the *Corporations Act 2001* (Cth).
2. As disclosed in the last notice lodged by the substantial securityholder with the ASX.

SUMMARY OF SECURITYHOLDERS CONTINUED

as at 30 July 2021

20 largest securityholders

Rank	Name	Number of securities held	% of issued securities
1	HSBC Custody Nominees (Australia) Limited	1,379,622,623	30.31
2	J P Morgan Nominees Australia Pty Limited	961,806,191	21.13
3	BNP Paribas Nominees Pty Ltd	414,645,274	9.11
4	Citicorp Nominees Pty Limited	388,472,708	8.53
5	National Nominees Limited	135,712,499	2.98
6	Rosslynbridge Pty Ltd	92,069,814	2.02
7	Besgan No. 2 Pty Ltd	88,515,564	1.94
7	Besgan No. 4 Pty Ltd	88,515,564	1.94
7	Besgan No. 1 Pty Ltd	88,515,564	1.94
7	Besgan No. 3 Pty Ltd	88,515,564	1.94
8	BNP Paribas Noms Pty Ltd	65,654,923	1.44
9	Allowater Pty Ltd	63,624,571	1.40
10	Citicorp Nominees Pty Limited	43,871,803	0.96
11	Braybridge Pty Ltd	43,656,447	0.96
12	BNP Paribas Nominees Pty Ltd Six SIS Ltd	37,298,296	0.82
13	Ledburn Proprietary Limited	37,195,552	0.82
14	Broadgan Proprietary Limited HSBC Custody Nominees (Australia) Limited	36,474,902	0.80
15	Cenarth Pty Ltd	31,605,848	0.69
16	Applebrook Pty Ltd	13,219,491	0.29
16	Rosecreek Pty Ltd	13,219,491	0.29
16	Moondale Pty Ltd	13,219,491	0.29
16	Jadecliff Pty Ltd	13,219,491	0.29
17	Charter Hall Wsale Mngt Ltd	12,476,270	0.27
18	Ledburn Proprietary Limited	10,206,076	0.22
19	Merrill Lynch (Australia) Nominees Pty Limited	9,423,531	0.21
20	The Trust Company (Australia) Limited	7,510,692	0.16
Total 20 largest 20 securityholders		**4,178,268,240**	**91.78**
Balance of register		374,007,118	8.22
Total issued capital		**4,552,275,358**	**100.00**

CORPORATE DIRECTORY

Vicinity Centres

comprising:

Vicinity Limited
ABN 90 114 757 783

and

Vicinity Centres Trust
ARSN 104 931 928

ASX listing

Vicinity Centres is listed on the ASX under the listing code VCX

Board of Directors

Trevor Gerber (Chairman)
Grant Kelley (CEO)
Clive Appleton
Tim Hammon
Peter Kahan
Janette Kendall
Karen Penrose
David Thurin

Company Secretaries

Carolyn Reynolds
Rohan Abeyewardene

Registered office

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Telephone: +61 3 7001 4000
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Web: vicinity.com.au

Auditors

Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000 Australia

Follow us on:

Security Registrar

If you have queries relating to your securityholding or wish to update your personal or payment details, please contact the Security Registrar.

Link Market Services Limited
Tower 4, 727 Collins Street, Melbourne
Victoria 3008 Australia

General securityholder enquiries:

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Facsimile: +61 2 9287 0303
Facsimile: +61 2 9287 0309 (for proxy voting)
Email: vicinity@linkmarketservices.com.au
Post: Locked Bag A14, Sydney South NSW 1235 Australia

Access your securityholding online

You can update your personal details and access information about your securityholding online by clicking 'Securityholder login' on our home page at vicinity.com.au, or via the 'Investor Services' section of the Security Registrar's website at linkmarketservices.com.au, or scan the QR Code (below) to take you to the investor centre.

Securityholders can use the online system to:

- view your holding balances, distribution payments and transaction history;
- choose your preferred Annual Report and communications options;
- confirm whether you have lodged your Tax File Number (TFN) or Australian Business Number (ABN);
- update your contact details;
- update your bank account details;
- check Vicinity Centres' security price; and
- download various securityholder instruction forms.

Contact Vicinity Centres

We are committed to delivering a high level of service to all securityholders. Should there be some way you feel that we can improve our service, we would like to know. Whether you are making a suggestion or a complaint, your feedback is always appreciated.

Investor relations

Email: investor.relations@vicinity.com.au

The Responsible Entity is a member (member no. 28912) of the Australian Financial Complaints Authority (AFCA), an external dispute resolution scheme to handle complaints from consumers in the financial system. If you are not satisfied with the resolution of your complaint by the Responsible Entity, you may refer your complaint to AFCA, GPO Box 3, Melbourne Victoria 3001, by telephone on 1800 931 678, by email to info@afca.org.au, or by lodging it online at afca.org.au.

VICINITY CENTRES

vicinity.com.au