



# CORPORATE GOVERNANCE STATEMENT

2017





## 01 Our approach to governance

In this Corporate Governance Statement references to 'Vicinity', 'Group', 'us', 'we', or 'our' refer to Vicinity Centres and its controlled entities.

Vicinity comprises Vicinity Limited (the **Company**) and Vicinity Centres Trust (the **Trust**) which are stapled together and trade on the Australian Securities Exchange (**ASX**) as VCX. Vicinity Centres RE Ltd (the **RE**) is the responsible entity of the Trust. Vicinity Funds RE Ltd (**Vicinity Funds RE**) is the responsible entity or trustee of a number of wholesale funds. The Boards of the Company, the RE and Vicinity Funds RE comprise the same Directors and generally meet concurrently (collectively, the **Board**).

Vicinity's corporate governance platform is integral to supporting our strategy, protecting the rights of our securityholders and creating sustainable growth.

### Our governance model

Figure 1

Purpose	Enriching community experiences			
Vision	We reimagine destinations of the future, creating places where people love to connect			
Strategic focus	We create unique and relevant consumer experiences, deliver compelling value to our retail partners and strive for excellence in everything we do			
Value drivers	We embrace difference	We always collaborate	We imagine a better way	
Governance enablers	Policies and delegations	People and culture	Stakeholder engagement	Capital and financial management

Vicinity's governance principles reflect that Vicinity operates in a robust regulatory environment and has corporate and managed investment scheme obligations under the Corporations Act 2001 (the **Act**) and ASX Listing Rules.

This statement is current as at 16 August 2017 and has been approved by the Board.



Corporate Governance/Governance Documentation and Policies

**Note:** The following symbols are used in this statement to cross-refer to more information on a topic.



References materials within Vicinity's 2017 Annual Report located in the 'Financial Results' section of Vicinity's website: [vicinity.com.au/investor-centre/financial-results](http://vicinity.com.au/investor-centre/financial-results)



References materials available on Vicinity's website: [vicinity.com.au](http://vicinity.com.au)

## 02 Role and responsibilities of the Board


### Allocation of responsibilities

The Board is accountable to securityholders for the performance of Vicinity. The Board is responsible for developing the strategic direction, establishing goals for management and monitoring the achievement of these goals. In doing so, the Board aims to create long-term value and sustainable earnings growth for Vicinity's securityholders and investors.

Specific responsibilities of the Board include:

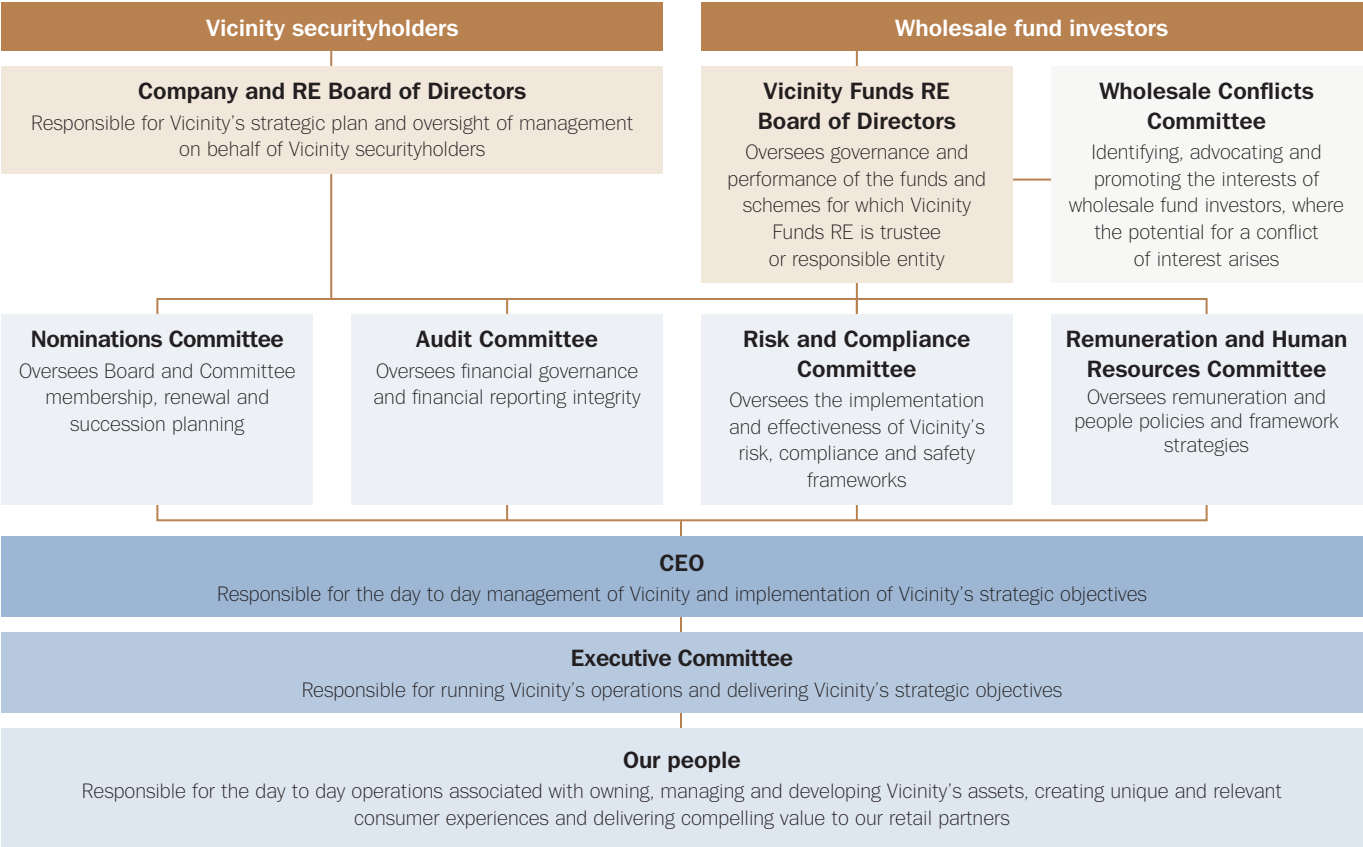
- Setting the values, standards of conduct and governance practices of Vicinity including evaluating the skills and experience required on the Board and planning Board succession
- Appointing, setting the remuneration framework for, and planning succession of, the Chief Executive Officer and Managing Director (CEO) and senior executives
- Overseeing the processes for making appropriate, timely and balanced disclosure of all relevant material information concerning Vicinity
- Monitoring the integrity of financial reporting and corporate reporting, including external audit
- Setting risk appetite and monitoring systems of risk management, internal control and ethical and legal compliance, and
- Approving operating budgets and major capital expenditure, acquisitions and disposals.

Full details of the responsibilities and functions reserved for the Board are set out in the Board charter.

 Corporate Governance/Board Charters

### The structure of our Board

Figure 2



## Board composition

As at the date of this statement, the composition of the Board and Committees is as follows:

Table 1

Board <sup>a</sup>	Nominations Committee	Audit Committee	Risk and Compliance Committee	Remuneration and Human Resources Committee
<b>Peter Hay</b> (Appointed 11 June 2015) Independent Non-executive Chairman	C			
<b>Angus McNaughton</b> (Appointed CEO 3 August 2015, Appointed Managing Director 28 October 2015 <sup>b</sup> ) CEO and Managing Director				
<b>Trevor Gerber</b> (Appointed 28 October 2015 <sup>b</sup> ) Independent Non-executive Director		M		M
<b>Tim Hammon</b> (Appointed 15 December 2011) Independent Non-executive Director	M		C	M
<b>Peter Kahan</b> (Appointed 11 June 2015) Non-executive Director	M	M		M
<b>Charles Macek</b> (Appointed 15 December 2011) Independent Non-executive Director	M			C
<b>Karen Penrose</b> (Appointed 11 June 2015) Independent Non-executive Director		C	M	
<b>Debra Stirling</b> (Appointed 28 October 2015 <sup>b</sup> ) Independent Non-executive Director			M	M
<b>Wai Tang</b> (Appointed 30 May 2014) Independent Non-executive Director		M	M	
<b>David Thurin</b> (Appointed 11 June 2015) Non-executive Director			M	

**C – Chairman, M – Member**

## Director independence

The composition of the Board and the independence of Directors are determined in accordance with the Board charter and having regard to the ASX Corporate Governance Principles and Recommendations (the **Principles**). All Non-executive Directors have been assessed as Independent Non-Executive Directors for FY17, other than Peter Kahan and David Thurin both of whom are connected with The Gandel Group, a major securityholder, at the date of this report.

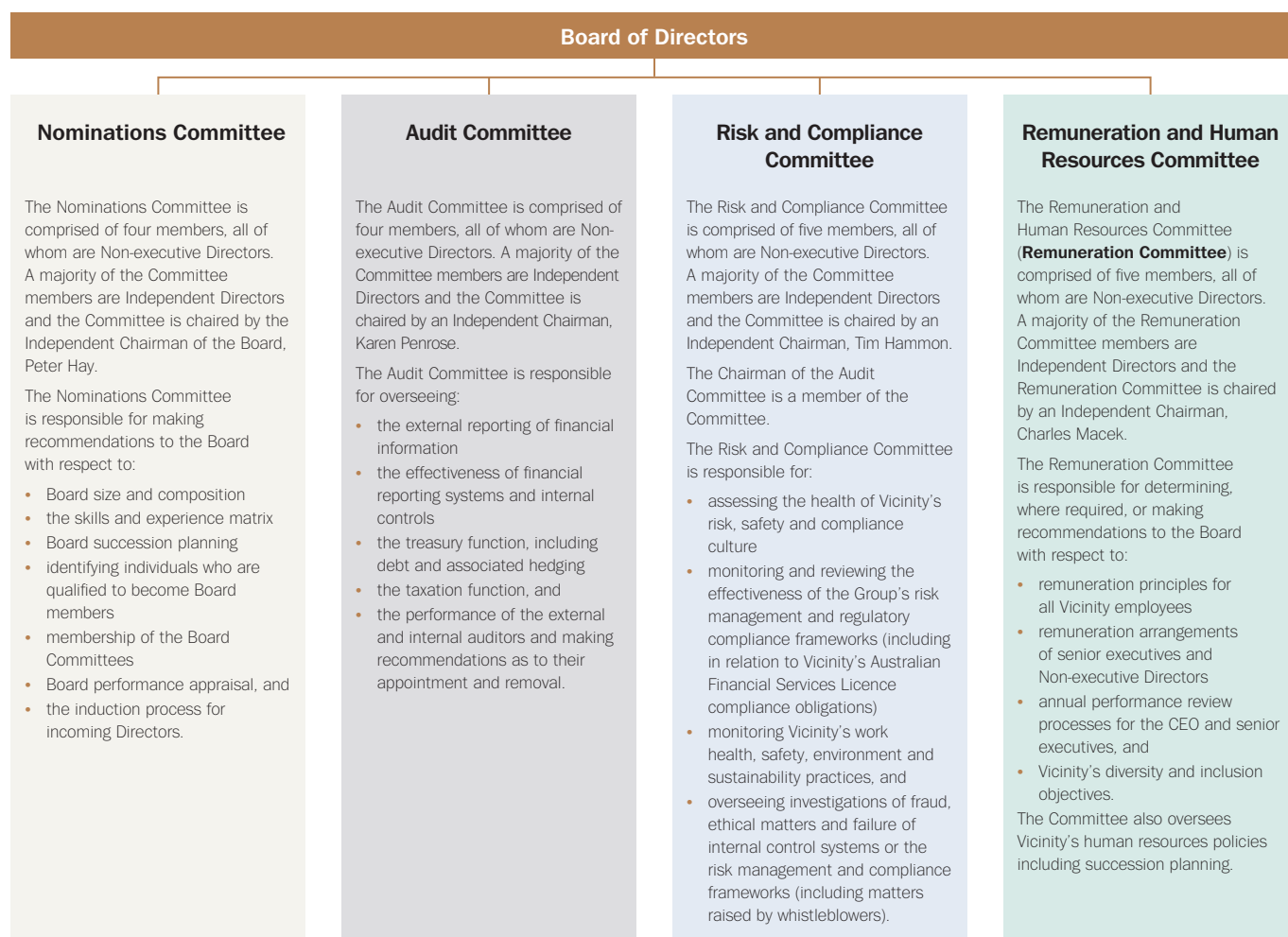
(a) This table displays the composition of the boards of the Company, the RE and Vicinity Funds RE. The boards of the Company, the RE and Vicinity Funds RE generally meet concurrently.

(b) Ms Debra Stirling was appointed to the Federation Centres Board on 15 December 2011. On 11 June 2015, following the Merger of Novion Property Group and Federation Centres (**Merger**), Ms Stirling remained and Mr Gerber was appointed, a Director of the RE. Ms Stirling and Mr Gerber were appointed as consultants to and alternate Directors of the Company as the Company's constitution contained a limit on the maximum number of directors being 8. Securityholders resolved to remove this limit at the Company's 2015 Annual General Meeting on 28 October 2015. Subsequently Ms Stirling and Mr Gerber were appointed Directors of the Company and Mr McNaughton was appointed Managing Director.

## Committee composition and responsibilities

The Board has established a Nominations Committee, an Audit Committee, a Risk and Compliance Committee and a Remuneration and Human Resources Committee to assist the Board in discharging its duties. The role and responsibilities of each Committee are outlined below:

Figure 3



Following each Committee meeting, the Committee Chairman provides a report to the next Board meeting with respect to the items of business considered by the Committee. The Committees provide recommendations to the Board as required.

Each Committee operates under a charter approved by the Board.



Corporate Governance/Board Charters

## 03 Relationship of the Board with Management

### The role of Management

The CEO, together with the members of the Executive Committee (**EC**) and senior leaders (together, **Management**), 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's affairs.

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

### Delegations framework

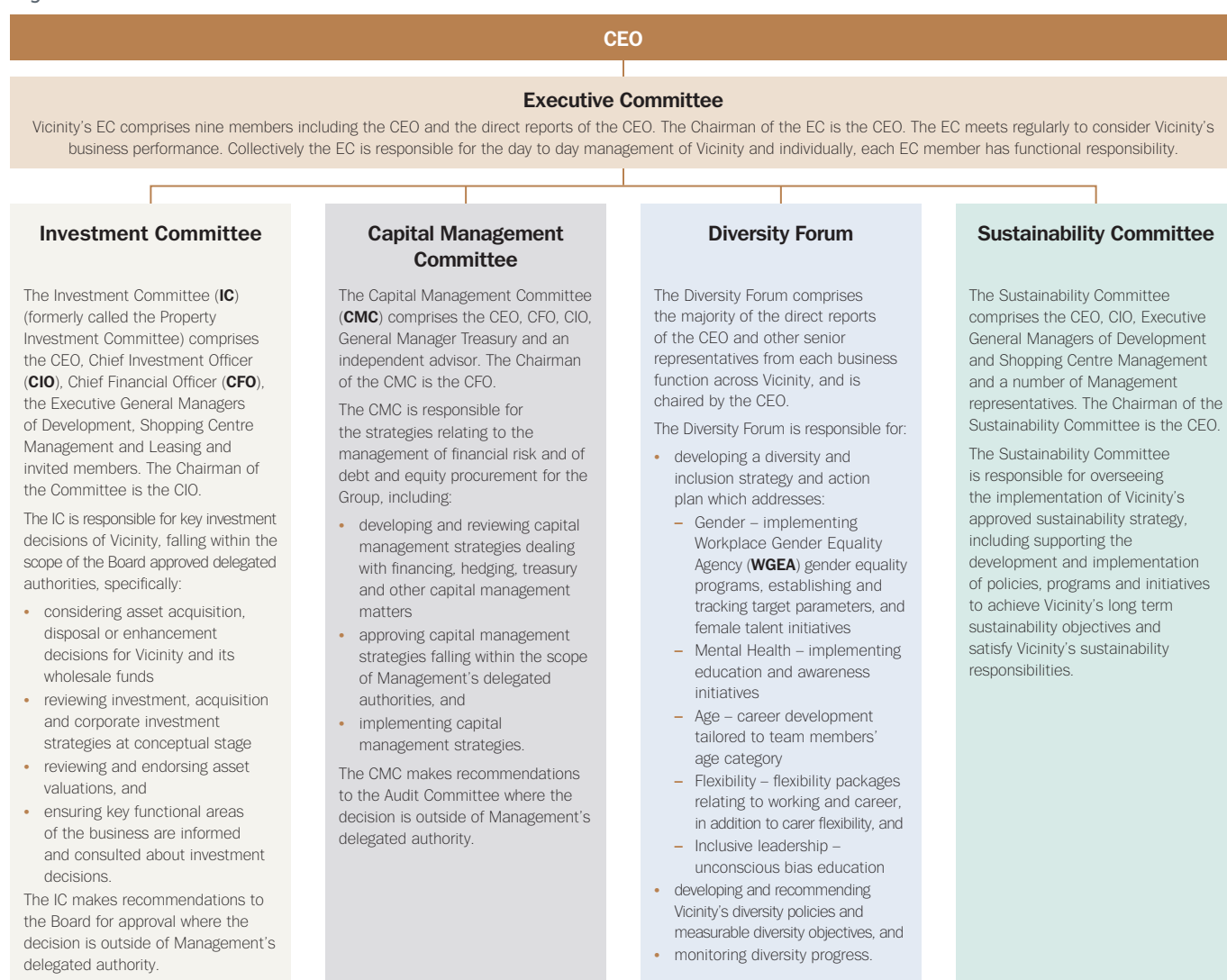
Management and all Vicinity employees must operate in accordance with the Board's approved policies and delegated limits of authority.

Vicinity has in place a Delegations Policy which supports organisational performance through efficient decision making and clear accountability. The policy specifies the authority delegated to employees to make decisions on behalf of Vicinity in the course of their roles and the execution of strategy.

### Management committees

The CEO has established a number of Management committees to facilitate decision making by Management as outlined below:

Figure 4



## Company Secretary

The Board is responsible for the appointment of Vicinity's Company Secretaries. Michelle Brady is the Company Secretary of Vicinity and is directly accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Ms Brady is also responsible for communications with the ASX and developing and maintaining Vicinity's corporate governance framework. Ms Brady was appointed in June 2015, was previously Company Secretary and Head of Risk and Compliance of Novion Property Group and has more than 10 years' legal and corporate governance experience.

Carolyn Reynolds, General Counsel is also appointed as a company secretary and provides legal advice to the Board as required. Ms Reynolds's biographical details are set out in our 2017 Annual Report.

All Directors have access to the advice and services of the Company Secretary and General Counsel.



Our Executive Committee page 37

## Ethical and responsible decision making

### Code of conduct

Vicinity Centres has in place a Code of Conduct (the **Code**) which requires Vicinity employees and Directors to act in a manner which supports Vicinity's values to embrace difference, always collaborate and imagine a better way.

The Code details behavioral standards and ethical expectations and outlines key legal requirements. As part of Vicinity's performance review process, employees are assessed against Vicinity's values and the behavioral standards outlined in the Code.

### Conflicts of interest and related parties

Vicinity has in place a Conflict of Interest Policy to ensure that the personal interests of employees and Directors do not interfere with, and are not perceived to interfere with, the interests of Vicinity.

Employees and Directors are required to declare any potential or actual conflict of interest in relation to the affairs of Vicinity, including external associations, appointments and personal relationships.

In the event of a Director having declared a potential conflict, the Director will act in accordance with Vicinity's Conflict of Interest Policy (and applicable law) to manage or avoid the conflict and Vicinity will implement processes to exclude the Director from any Board consideration of the matter. All Non-executive Directors are required to notify the Chairman before accepting a new external appointment.

Vicinity's Related Party Transaction Policy will also apply in the event of a transaction between Vicinity entities or between a Director or their associates and a Vicinity entity. Full details of any related party dealings are set out in the notes to Vicinity's Financial Report as required under the Act.



Notes to the Financial Statements page 101

Additional protocols operate for wholesale funds managed by Vicinity for which Vicinity Funds RE is responsible entity or trustee and for joint venture arrangements.

### Wholesale conflicts committee

Vicinity is committed to high standards of ethical conduct to ensure that conflicts of interest do not adversely affect members of the wholesale funds operated or managed by Vicinity and to avoid a perception that actual and potential conflicts of interest are not properly addressed by the respective board.

A Conflicts Committee for Wholesale Funds (**Conflicts Committee**) has been established under a charter and is convened as required. The Conflicts Committee comprises at least three Independent Non-executive Directors of Vicinity Funds RE. The role of the Independent Non-executive Directors who are members of the Conflicts Committee is to ensure that the interests of investors in the applicable wholesale fund are clearly identified, advocated and promoted when the matter is considered by the Board of Vicinity Funds RE. Where there is a conflict between the interests of the responsible entity or Vicinity and the interests of the wholesale fund, the interests of the wholesale fund are preferred.

### Trading in Vicinity securities and hedging

Under the Vicinity Securities Trading Policy, trading in VCX securities by employees, Directors, and contractors engaged by Vicinity is prohibited in blackout periods between:

- 1 January and one day after the release of Vicinity's interim results, and
- 1 July and one day after the release of Vicinity's full year results.

The policy is subject to the overriding prohibition against trading while in possession of inside information.

Additional restrictions apply to Restricted Officers, including Directors, Management and their associates, whereby pre-trade approval must be obtained before they deal in VCX securities. Each Director has also agreed to provide notice to the Company Secretary of any dealings in securities within five business days of approved dealings so that Vicinity can comply with its obligation to notify the ASX.

The policy prohibits Management from hedging or otherwise limiting their exposure to risk in relation to unvested VCX securities issued or acquired under any applicable equity arrangements.

### Risk management and internal controls

#### Risk Management Framework

The identification, assessment and management of risks and opportunities are core competencies supporting the achievement of Vicinity's objectives. Vicinity adopts a structured and comprehensive approach to managing risk to help provide benefits to its stakeholders, including securityholders, employees, consumers, tenants and the community in which Vicinity operates.

Vicinity's business model is to operate responsibly in taking well understood and well managed risks within the bounds of Vicinity's risk appetite. Vicinity's Risk Management Policy, Risk Appetite Statement and Enterprise Risk Profile, together the foundation of Vicinity's Enterprise Risk Management Framework, are reviewed by the Risk and Compliance Committee and Board annually and were reviewed during FY17. These form the basis for an ongoing program of work to further implement Vicinity's Risk Management Strategy which sets out Vicinity's vision and objectives for risk management and the planned program of work for its implementation.

At each half year reporting period, the Board receives assurance from Management as to the existence of a sound system of risk management and internal control. Management provided this attestation in August 2017 at the time of approval of the 2017 Financial Report.

The Risk and Compliance Committee and Board receive quarterly risk governance reports in accordance with Vicinity's risk management framework.

#### Responsibility for risk management

The assignment of roles and responsibilities for risk management activities follows a 'three lines of defence' model to ensure risks are identified, analysed, evaluated, treated, managed, monitored and reported through the establishment of an efficient and effective governance, risk and control framework.

The three lines of defence model is summarised below:

Figure 5



- **1st line** – Management is responsible for developing a risk aware culture and identifying, assessing and managing any material risks associated with making commercial decisions in pursuing Vicinity's strategic objectives.
- **2nd line** – Risk, Compliance and Safety teams are responsible for establishing and overseeing risk, compliance and safety frameworks, for constructively challenging business risk assessments and for reporting the aggregate risk position to the EC, the Risk and Compliance Committee and the Board.
- **3rd line** – Internal Audit is responsible for the provision of independent and objective assurance on the effectiveness of risk management, control and governance processes.

#### Economic, environmental and social sustainability risks

The Board and Management recognise that Vicinity must identify and manage exposure to a range of material economic, environmental, and social sustainability risks (**Material Sustainability Risks**). Vicinity has undertaken a formal materiality assessment to identify Vicinity's long term Material Sustainability Risks. The results of this assessment have been integrated within Vicinity's Enterprise Risk Profile.

Vicinity's disclosures regarding the Material Sustainability Risks to which Vicinity is exposed and how we manage or intend to manage those risks are contained in the Risks section of the Annual Report.



Our management of risk page 18

Vicinity has an integrated sustainability strategy (displayed in Figure 6), that aims to respond to our Material Sustainability Risks, as well as opportunities, with a focus on creating shared value for Vicinity and our stakeholders.



Sustainability

Figure 6





## 04 People and culture

### Appointment and selection of Directors

Where a new appointment to the Board is being considered, Vicinity's policy is to obtain detailed background information and undertake screening of the potential nominee's character, experience, qualifications, criminal and bankruptcy history prior to that nominee being issued with an invitation to join the Board. External independent search firms may be retained by the Board to identify suitable candidates for Directorship.

All new Non-executive Director appointments for Vicinity are confirmed by a formal letter of appointment, which sets out the terms of appointment and the obligations of the Director to comply with key policies and procedures. Upon appointment, Directors are issued with an induction pack.

The Board will provide securityholders with all relevant material information in its possession regarding a decision for the election or re-election of a Director.

### Director induction and ongoing education

Vicinity has a Director induction program to educate new Directors about the nature of Vicinity's business, including current issues, the strategic plan and the expectations of the Board concerning Directors' performance. Incoming Directors are also invited to attend and observe Board and Committee meetings prior to their appointment.

During their tenure, Directors are expected to maintain memberships of relevant associations (such as the AICD) and undertake ongoing education to maintain their qualifications and skills as a Director. Vicinity will support the cost of ongoing education where it is considered relevant to a Director's role on the Board, at the Chairman's discretion.

It is a core component of Vicinity's health and safety management practices that all Directors are provided with the opportunity to visit a selection of Vicinity's assets several times each year and to meet with Management to gain a better understanding of business operations including health and safety practices.

Workshops are held throughout the year to 'deep dive' into key strategic initiatives such as proposed developments or material business matters. Vicinity also arranges periodic director education sessions facilitated by Management or external advisers to ensure Directors keep abreast of changes in legislation, regulation, governance practices, digital transformation and the environment in which Vicinity operates.

### Performance review and Board renewal and succession planning

The Board undertakes an annual performance review. At the time of the 2016 review, the Board engaged an external consultant to complete an independent review of the performance of the Board and to assist the Board to develop a Board Succession and Renewal Plan.

In consideration of the outcomes of the independent review, the Board made a commitment at the 2016 AGM to reduce the number of Directors on the Board over a two year period. Mr Richard Haddock AM retired from the Board in April 2017 and Mr Charles Macek and Ms Debra Stirling have both announced their intention to retire at the 2017 AGM in support of the Board's commitment.

The Board has also invited Ms Janette Kendall to commence as a Director in December 2017 as part of an ongoing process to ensure that Vicinity has Directors with relevant, contemporary experience and to round off the skills of the Board to include a technology and digital focus. Further details of Ms Kendall's credentials were announced to the ASX on 31 July 2017. A copy of the ASX announcement is available on Vicinity's website.



#### ASX Announcements

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### Board skills, experience and attributes

The Board skills matrix identifies the number of Directors with developed skills and experience in areas considered most relevant to Vicinity.

The skills matrix for Vicinity Directors was reviewed in June 2017 and applied a methodology requiring the Directors to assess their level of capability for each skill in the matrix against a set of descriptive guidelines.

The methodology required Directors to classify their level of capability for each skill into one of the following categories:

- Expert
- Advanced, or
- Competent.

Directors who assessed their skill level as Advanced or Expert satisfied the capability requirement for inclusion in the matrix. Directors who assessed their skill level as competent in any skill category have not been included in the matrix.

As Corporate Governance is considered a prerequisite skill for all Directors it has not been included in Vicinity's skills and experience matrix.

## Director skills and experience matrix

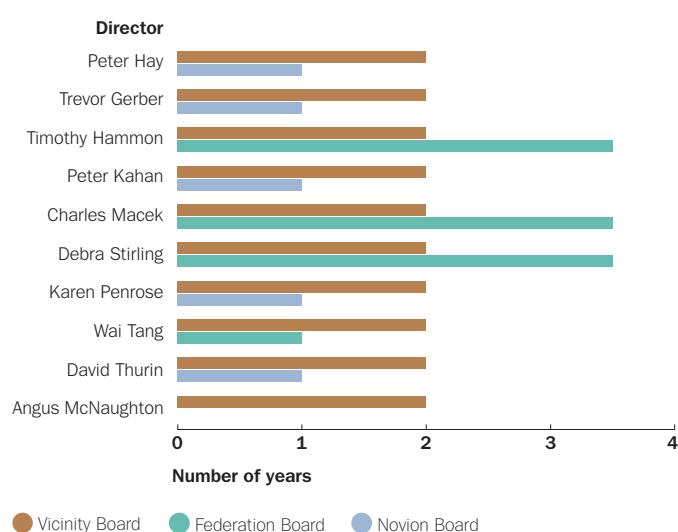
Figure 7

	Director Skills Matrix			Functional and Operational Management Experience						
	Property/development	Funds management	Leadership and people	Financial acumen	Capital management	Strategy	Merger and acquisition execution	Legal/risk/health and safety	Sustainability and corporate responsibility	Digital innovation or disruption
Number of Directors with expert or advanced experience or capability	5	7	10	8	7	10	10	6	4	3

### Key

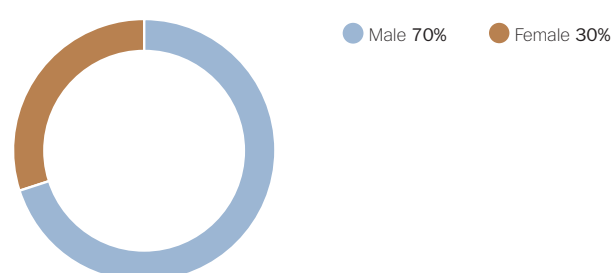
Skills/ Experience Category	Functional and Operational Experience
Property/development	Experience in property management, or design and construction of major property projects
Funds management	Experience in third party property funds management
Leadership and people	Leadership experience; experience in influencing organisational culture and in relation to remuneration frameworks
Financial acumen	Experience in financial accounting and reporting, including analysing financial statements and assessing financial viability
Capital management	Experience in capital management strategies, including capital partnerships, debt financing and capital raisings; and/or experience in being a part of or overseeing a treasury function
Strategy	Experience in developing, implementing and challenging strategic plans to achieve the long term goals of an organisation
Merger and acquisition execution	Experience in merger and acquisition transaction execution and integration
Legal/risk/health and safety	Experience in managing areas of major risk to the organisation (including legal risk); and/or experience in workplace health and safety
Sustainability and corporate responsibility	Experience in developing and implementing social responsibility or sustainability strategies and initiatives
Digital innovation or disruption	Experience in developing and applying digital and emerging technology or product; and/or experience in leading or responding to digital disruption

## Board Tenure

Figure 8<sup>a</sup>

## Gender diversity

Figure 9



(a) Figure 8 demonstrates each Director's tenure on the Board since Merger and, additionally, where service was continuous, on the board of the relevant pre-Merger entity.

Further details on the qualifications, skills and experience of Vicinity's Directors, and other directorships held by them are available in our 2017 Annual Report.



Our Board page 34

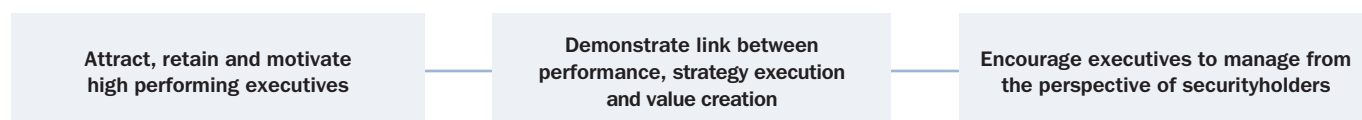
## Remuneration framework

The objective of Vicinity's remuneration framework is to build capability by attracting, retaining and engaging a talented executive team, while aligning their actions with securityholder interests. Vicinity's remuneration framework in place throughout FY17 is detailed in the Remuneration Report in the Annual Report.



Remuneration Report page 49

The Remuneration Report details the remuneration of Non-executive Directors and executive Key Management Personnel (**Executive KMP**) in line with Vicinity's reward principles:



Vicinity, through its employing subsidiary, has in place a written agreement with each Director, the CEO, Management and each employee setting out the terms of their appointment.

In discharging its responsibilities with respect to remunerating fairly and responsibly, the Remuneration Committee has regard to market surveys and engages independent consultants as necessary.

## Minimum Independent Non-executive Director securityholding

The Board has in place a Minimum Securityholding Policy for Independent Non-executive Directors. Under the policy, Independent Non-executive Directors are encouraged to acquire a holding of securities equal in value to one year of base Board fees (on an after tax basis) within five years. Due to the trading restrictions outlined above, Directors have limited opportunities to acquire securities and are at all times subject to the overarching prohibition on trading in securities whilst in possession of inside information.

The principal consideration in implementing the mandatory securityholding policy was to reinforce the alignment of Independent Non-executive Directors' interests with those of Vicinity securityholders.

## Minimum executive shareholdings

A mandatory security ownership policy is in place for the EC. This requires Executive KMP and members of the EC to acquire and retain a minimum holding of securities equal to 60% of Total Fixed Remuneration (**TFR**) (100% of TFR for CEO) within five years. Deferred short term incentives and long term incentives count toward the holding level.



### Evaluating performance of Management

Throughout the financial year, there has been in place a performance evaluation system that includes the setting of annual key performance indicators for each employee, including Management, which are measurable, quantifiable and assessed on an annual basis. During FY17, all employees participated in a mandatory performance evaluation in accordance with this process.

The annual key performance indicators established for the CEO are cascaded appropriately to the EC and all employees.

On an annual basis, the Remuneration Committee, and subsequently the Board, formally reviews the performance of the CEO. The assessment criteria include both qualitative and quantitative measures covering financial, strategic, people and leadership and operational excellence objectives.

Further details on the reward framework, performance measures and the assessment criteria for the CEO and the Executive KMP (including equity-based plans) that were in place during FY17 are set out in the Remuneration Report within our Annual Report.



Remuneration Report page 49

### Diversity and inclusion

Vicinity strives to create a diverse and inclusive workplace, reflective of the extensive diversity of the communities in which we operate and where every member of the team can reach their potential and deliver business outcomes within a culture that expects and celebrates difference.

Diversity and inclusion practices enable Vicinity to optimise the full potential of our people and our business by harnessing the individual differences of thought, experience and background.

A diversity and inclusion framework was developed for Vicinity post Merger, based on the four key principles: vision and governance, flexibility, gender and inclusive leadership. This framework has been refined based on internal and external research.

In November 2016, a company wide diversity and inclusion survey was undertaken. The purpose of this survey was to understand the needs (demographics) and opinions (views) in relation to diversity and inclusion. Over 70% of team members responded to the survey.

In March 2017, a company wide employee engagement survey was undertaken to provide an understanding of Vicinity team member's engagement and the drivers. A response rate of 89% was recorded. Questions relating to diversity and inclusion were included in the engagement survey to provide further data and commentary.

These surveys, along with external research, provided rich data and insights that enabled the diversity and inclusion strategy to be refined. Figure 10 shows Vicinity's FY18 diversity and inclusion strategy.

In addition to our focus areas, other areas of diversity and inclusion are important to the business, including disability and ethnicity. Our focus on inclusive leadership gives team members the skills to identify and reduce unconscious bias across all factors.

Figure 10

Purpose	Enriching community experiences via inclusiveness		
Vision	We celebrate our differences, and create an environment where people are free to be themselves and reach their full potential		
Focus areas	 Gender	 Mental health	 Age
Enablers	Flexibility		Inclusive leadership

Table 2

**Diversity and inclusion framework principle**

	Objective	Measurable target	Supporting initiatives	What we achieved in FY17 <sup>a</sup>
<b>Vision and governance</b>	Diversity and inclusion is systematic and responsibility sits with the EC	Diversity Forums held regularly	<ul style="list-style-type: none"> <li>Vicinity's Diversity Forum meets every eight weeks</li> <li>Education provided to Diversity Forum members</li> <li>Vicinity's CEO is a member of the Property Male Champions of Change</li> <li>Metrics and targets in place to track progress</li> </ul>	<ul style="list-style-type: none"> <li>Approval of a formal Diversity and Inclusion Policy that requires the setting of measurable objectives and the periodic assessment of Vicinity's progress in achieving those objectives.</li> <li>Forums well attended with strong management commitment and representation</li> <li>WGEA compliance report assessed as compliant</li> </ul>
	Foundations established for measuring diversity and inclusion	Engagement is at or above engagement benchmark with year on year growth expected from previous survey results	<ul style="list-style-type: none"> <li>Engagement surveys completed annually with data captured to measure progress against Vicinity's diversity and inclusion strategy</li> <li>Survey data analysed and presented to Diversity Forum and Remuneration Committee</li> <li>Separate diversity and inclusion survey completed and data analysed</li> </ul>	<ul style="list-style-type: none"> <li>Engagement survey results 2016 compared to 2017:               <ul style="list-style-type: none"> <li>No material difference in terms of engagement outcomes by gender</li> <li>Work/life balance satisfaction increased by 3%</li> <li>Employee assessment of diversity and inclusion increased by 7%</li> </ul> </li> <li>Diversity and inclusion survey results:               <ul style="list-style-type: none"> <li>78% of team members are aware of Vicinity's flexible working policy</li> <li>40% of team members work flexibly (formally and informally)</li> </ul> </li> </ul>
<b>Gender<sup>d</sup></b>	We are committed to increased gender representation at all leadership levels of the organisation	<b>% Female representation on Board:</b>  Minimum of 33% by the end of FY18	<ul style="list-style-type: none"> <li>Board succession and renewal plan developed</li> <li>Annual review of skills and experience matrix to identify gaps in skills, experience and diversity on the Board</li> <li>Building in gender equality supportive activities during the recruitment process for new Directors e.g. expectations of female representation on short lists</li> </ul>	<ul style="list-style-type: none"> <li>30% female representation at end of FY17</li> <li>A Board succession and renewal plan developed</li> <li>Board composition is expected to increase to 33% female representation by December 2017</li> </ul>
		<b>% Female representation on EC including CEO (Non WGEA category):</b>  33% by the end of FY18 if a vacancy arises	<ul style="list-style-type: none"> <li>Building in gender equality supportive activities during the recruitment process e.g. expectations of female representation on short lists</li> </ul>	<ul style="list-style-type: none"> <li>33% female representation at end of FY17</li> <li>Vicinity's EC composition increased in female representation from 22% in FY16</li> </ul>
		<b>% Female representation Senior Leaders (other Executive/ General Manager WGEA<sup>b</sup> category):</b>  40% by the end of FY17 40% <sup>c</sup> by the end of FY18	<ul style="list-style-type: none"> <li>Building in gender equality supportive activities during the recruitment process</li> <li>Female representation focus during talent identification and development, performance assessment activities</li> <li>Building awareness of unconscious bias</li> <li>Initiatives that support flexibility, carer responsibilities and return to work from extended leave including parental leave</li> </ul>	<ul style="list-style-type: none"> <li>34% female representation at end of FY17<sup>c</sup></li> <li>All people leaders undertook unconscious bias training to support their decision making e.g. promotions and recruitment</li> <li>Talent identification framework in place which also promotes gender balance in career development</li> </ul>

Table 2 (continued)

## Diversity and inclusion framework principle

Gender and inclusion framework principle	Objective	Measurable target	Supporting initiatives	What we achieved in FY17 <sup>a</sup>
Gender <sup>d</sup> (continued)		<b>% Female representation Senior Manager (Senior Manager WGEA<sup>b</sup> category):</b>  33% by the end of FY17  38% by the end of FY18	<ul style="list-style-type: none"><li>As per Senior Leaders supporting initiatives</li></ul>	<ul style="list-style-type: none"><li>38% female representation at end of FY17</li><li>Recruitment policy and practices updated to support a focus on gender equality</li><li>Talent identification framework in place which promotes gender balance in career development</li></ul>
		<b>% Female Representation:</b>  <b>Our people (non-manager WGEA<sup>b</sup> category):</b>  Maintain at or above 50%	<ul style="list-style-type: none"><li>Building in gender equality supportive activities during the recruitment process</li><li>Tracking female representation across all people practices including quarterly dashboard reporting</li><li>Initiatives that support flexibility, carer responsibilities and return to work from extended leave including parental leave</li></ul>	<ul style="list-style-type: none"><li>67% female representation in 2016-2017 WGEA reporting period</li><li>Recruitment policy and practices updated to support a focus on gender equality</li></ul>
	Flexibility is a business enabler and we support a flexible working environment and flexible careers	Number of formal flexible work arrangements in place	<ul style="list-style-type: none"><li>Flexible Working Arrangements Policy and support materials</li><li>People leader development through Vicinity leadership programs</li><li>Education sessions relating to flexible working</li></ul>	<ul style="list-style-type: none"><li>Flexible working arrangements policy and support materials launched</li><li>Carer support materials and resources launched</li></ul>
Flexibility and carers	Carers are valued members of our team	Implement tracking of carers in FY17, monitoring growth and female representation	<ul style="list-style-type: none"><li>Carer support materials and resources</li><li>Specific support for parents on leave and active support when they return to work</li><li>People leader development through Vicinity leadership programs</li></ul>	<ul style="list-style-type: none"><li>Parental leave support initiatives, including 'Keeping Connected' sessions commenced</li></ul>
Inclusive leadership	Leadership is key in creating a culture that fosters the diverse and inclusive organisation we wish to create	<b>% Leaders and key decision makers completing unconscious bias learning:</b>  100% of identified participants in FY17	<ul style="list-style-type: none"><li>Unconscious bias workshops for all leaders</li><li>Diversity Forum education and resources</li><li>People leader development through Vicinity leadership programs</li><li>Application of unconscious bias principles in all people practices e.g. recruitment, talent, development etc.</li></ul>	<ul style="list-style-type: none"><li>All current people leaders completed an unconscious bias workshop in FY17. All new people leaders are required to complete an unconscious bias workshop within 12 months of joining Vicinity or on promotion into a people leader role</li><li>Diversity and inclusion education for Diversity Forum members ongoing</li><li>Vicinity leadership program designed to support awareness of unconscious bias</li></ul>

(a) Employee population measured at 30 June 2017.

(b) Vicinity reports annually against the WGEA standardised gender equality indicators. The WGEA categories are referred to in Table 2 for transparency.

(c) The Board amended the FY18 target for Senior Leaders at the end of FY17 from 45% to 40% given the small population size of the Senior Leader group and the high retention rate of team members within this group. These factors have limited the opportunity to increase female representation in this group in the short term. Vicinity has in place the supporting initiatives outlined in Table 2 and is confident that these initiatives will support greater female representation in the Senior Leader group over the longer term.

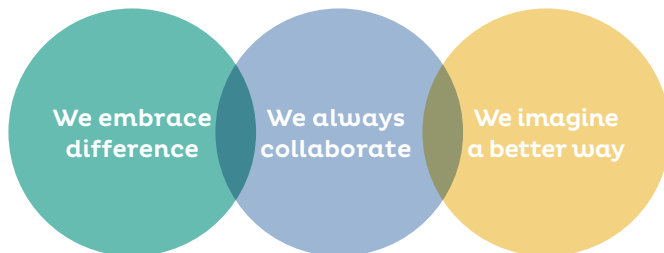
(d) The gender diversity data in Table 2 has been subject to independent limited assurance by Ernst &amp; Young in accordance with the Australian Standard on Assurance Engagement Other than Audits or Review of Historical Financial Information (ASAE 3000).





## Culture and values

During the year, the EC and Board reviewed Vicinity's values, vision and purpose. While there was no change to Vicinity's purpose of enriching community experiences, the review resulted in changes to Vicinity's vision and values. Vicinity's values reflect our culture and the way we approach our work:



Vicinity has introduced both real time and agile working practices for our people as part of the move to our new national office in Chadstone in December 2016. These practices provide flexible work settings for our people and are proving to deliver a more efficient and effective workplace and encourage greater connections and collaboration amongst Vicinity teams.

## Whistleblowing at Vicinity

Vicinity's whistleblower guidelines empower employees to report any wrongdoing without fear of reprisal. Vicinity offers employees and external stakeholders internal and external reporting channels including through an external hotline where reports may be made anonymously.

The policy provides for all reports to be investigated confidentially and, provided any report of wrongdoing is made in good faith, Vicinity will protect a whistleblower. Vicinity will not tolerate any form of harassment, victimisation of, or retaliation against eligible persons who report a wrongdoing.

- Vicinity's Annual General Meeting (**AGM**) which all securityholders have the right to attend. The AGM provides an opportunity for securityholders to ask questions of the Board and Management, express views and respond to Board proposals. Vicinity's external auditor, Ernst & Young, attends the AGM to answer any questions about the conduct of the audit and the content and preparation of the audit report
- An Annual Report which is published annually in August and includes an overview of operations and financial results for the year. The Board encourages securityholders to access the Annual Report online to assist with Vicinity's commitment to the environment, as well as being more cost effective. A printed copy of the Annual Report will only be sent to those securityholders who have elected to receive it in this format. Otherwise, securityholders will be notified when the Annual Report is available to be accessed online, and
- Each six months, to coincide with the release of the annual and half-year financial statements and reports, Vicinity holds an analyst briefing. Facilities are available for securityholders to participate in these briefings should they wish to do so through a variety of media, including telephone conference call and webcast. The presentations from these briefings are available on Vicinity's website after confirmation of release by the ASX.

Management meets with investors throughout the year. Typically meetings follow the release of our annual and half-year results or other material announcements and also occur at investor conferences. From time to time, Directors attend meetings with investors. Care is always taken to ensure that no market sensitive information is discussed or disclosed in any meetings with investors or analysts.

Vicinity's Investor Relations team also manages investor enquiries on a daily basis.



### Investor Centre

## 05 Communication

### Continuous disclosure

Vicinity has adopted a Disclosure and External Communications Policy which together with associated procedures:

- Has the principal objective of ensuring that Vicinity complies with its continuous disclosure obligations
- Sets out the processes to ensure timely and meaningful disclosure of price sensitive information to Vicinity's investors and the market
- Regulates processes for general updates regarding strategic, operational and financial performance of Vicinity, including preventing selective disclosure, and
- Outlines the approval procedures for market announcements.

### Keeping our securityholders informed

Vicinity's Investor Relations team coordinates an investor relations program to maintain dialogue with Vicinity's institutional and retail investors as well as analysts. This program includes:

### Electronic communication with securityholders

The Board encourages all securityholders to receive communications from, and send communications to, Vicinity's security registrar electronically.

Vicinity's ASX Announcements are automatically published on the Vicinity website which is regularly updated and also contains:

- Current key financial information and Annual Report
- Investor and broker presentations
- Correspondence from the Chairman or CEO sent to all securityholders
- Policies and charters
- Sustainability activities and achievements
- Key dates and events, and
- Current and archived webcasts of annual and half-year results briefings.

## 06 Capital and financial management

### Financial risk management

Vicinity adopts a conservative approach to financial risk management and has in place policies to deal with liquidity and funding risk and financial market risks.

The objectives of Vicinity's liquidity and funding policies are to ensure that Vicinity and entities managed by Vicinity have funds available to meet financial obligations, working capital and committed capital expenditure requirements over a rolling 12 month period and sufficient liquidity to provide for unforeseen events which may negatively impact operating cashflows.

Vicinity's financial risk management strategy has the following objectives:

- To facilitate adherence to all relevant financial covenants
- To minimise the impact of adverse interest rate or foreign exchange movements and volatility on Vicinity profitability and securityholder distributions each financial year, and
- To diversify Vicinity's debt sources and derivative counterparties.

### Integrity in financial reporting

The Board receives regular updates on the financial performance of the business and integrity of financial reporting via:

- Quarterly Audit Committee and Board reporting on capital and treasury management and tax matters
- Monthly management reporting of financial performance
- Quarterly updates on annual forecasts, and
- Quarterly internal audit reporting to the Audit Committee.

With respect to each half year reporting period, the Audit Committee reviews the financial statements and analytics prepared by Management, considers accounting judgements and estimates and receives reports from Vicinity's external auditor.

### CEO and CFO declarations

Twice annually with respect to each half year financial period, the Board receives a declaration from the CEO and CFO in accordance with the ASX Principles and Section 295A of the Act. The declarations confirm whether, in their opinion, the financial records of Vicinity have been properly maintained, whether the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of Vicinity, whether the opinion has been formed on the basis of a sound system of risk management and internal control and whether the system is operating effectively in all material respects in relation to financial risks.

### External Auditor

Ernst & Young is the current financial, Australian Financial Services Licence and Compliance Plan auditor for the Company, the Trust and their controlled entities and for the wholesale funds for which Vicinity Funds RE is the responsible entity or trustee.

Vicinity has an External Audit Policy which provides that the Audit Committee will review the auditor's independence taking into account the requirements prescribed in the Act and the standards agreed between Vicinity and the auditor, which include:

- Rotation of the senior audit partner every five years
- Annual confirmation by the auditor that it has satisfied all professional regulations relating to auditor independence
- Half-yearly reporting on the level of audit and non-audit fees
- Any non-audit work performed must be carried out in accordance with agreed protocols, and
- Approval of non-audit service activities over \$5,000 per activity by the Audit Committee.

The audit partner rotated at the commencement of FY15.

### Internal Auditor

Vicinity has adopted a co-sourced internal audit model comprising an internal resource supported by an external internal audit provider, Protiviti. The internal auditors are appointed by the Audit Committee and report against the internal audit plan approved by the Audit Committee, on a quarterly basis.