



# CORPORATE GOVERNANCE STATEMENT 2016



# 1. 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’s corporate governance platform is integral to supporting our strategic value drivers, protecting the rights of our securityholders and creating sustainable growth.

Vicinity’s governance principles have been reviewed over the past year following the Merger of Federation Centres (ASX: FDC) and Novion Property Group (ASX: NVN) on 11 June 2015 (the **Merger**) and in recognition of our belief that good governance is essential to long term value creation. We acknowledge that Vicinity operates in a robust regulatory environment and has corporate and managed investment scheme obligations under the Corporations Act 2001 (the **Act**) and Australian Securities Exchange (**ASX**) Listing Rules.

Our governance principles can be categorised under four pillars which support and enable our strategic focus to ‘Create value and sustainable growth by owning, managing and developing quality Australian assets across the retail spectrum’.

Those pillars are:

- Governance and operational excellence;
- People, culture and communication;
- Digital; and
- Capital Management and Strategic Partnerships.

Vicinity comprises Vicinity Limited (the **Company**) and Vicinity Centres Trust (the **Trust**) which are stapled together and trade on the 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**).

## Our Governance Model

Figure 1

<b>Purpose</b>		Enriching community experiences				
<b>Vision</b>		Delivering the leading retail property and lifestyle experience in Australia				
<b>Strategic Focus</b>		Create value and sustainable growth by owning, managing and developing quality Australian assets across the retail spectrum				
<b>Strategic platform</b>	<b>Value drivers</b>	Investment		Development		Intensive asset management
	<b>Governance enablers</b>	Governance and operational excellence	People, culture and communication	Digital		Capital and Strategic Partnerships

This statement is current as at 17 August 2016 and has been approved by the Board.

Further information about our Governance policies can be found on our website: [vicinity.com.au/about-us/corporate-governance](http://vicinity.com.au/about-us/corporate-governance).

## 2. GOVERNANCE AND OPERATIONAL EXCELLENCE

### 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 deliver superior long-term total returns for Vicinity's securityholders and investors.

Specific responsibilities of the Board include:

- Setting the values, standards of conduct and governance practices of the Group 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 the 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, which is available on the corporate governance page of Vicinity's website at [vicinity.com.au/about-us/corporate-governance](http://vicinity.com.au/about-us/corporate-governance).

#### The structure of our Board

Figure 2



## 2. GOVERNANCE AND OPERATIONAL EXCELLENCE continued

### Board Composition

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

Table 1

Board <sup>1</sup>	Nominations Committee	Audit Committee	Risk & Compliance Committee	Remuneration & Human Resources Committee
<b>Peter Hay</b> (Appointed 11 June 2015) Independent Non-executive Chairman	C	A	A	A
<b>Angus McNaughton</b> (Appointed CEO 3 August 2015 Appointed Managing Director 28 October 2015) Chief Executive Officer and Managing Director		A	A	A
<b>Trevor Gerber</b> (Appointed 28 October 2015 <sup>2</sup> ) Independent Non-executive Director		M		M
<b>Richard Haddock</b> (Appointed 11 June 2015) 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>2</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, A – Attendee

### 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, other than Peter Kahan and David Thurin both of whom are connected with The Gandel Group, a major securityholder, have been assessed as Independent Non-executive Directors for FY16. The Chairman, Mr Peter Hay, is an Independent Non-executive Director.

1 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.

2 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, 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, copies of which are available on the corporate governance page of Vicinity's website at [vicinity.com.au/about-us/corporate-governance](http://vicinity.com.au/about-us/corporate-governance).

## 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

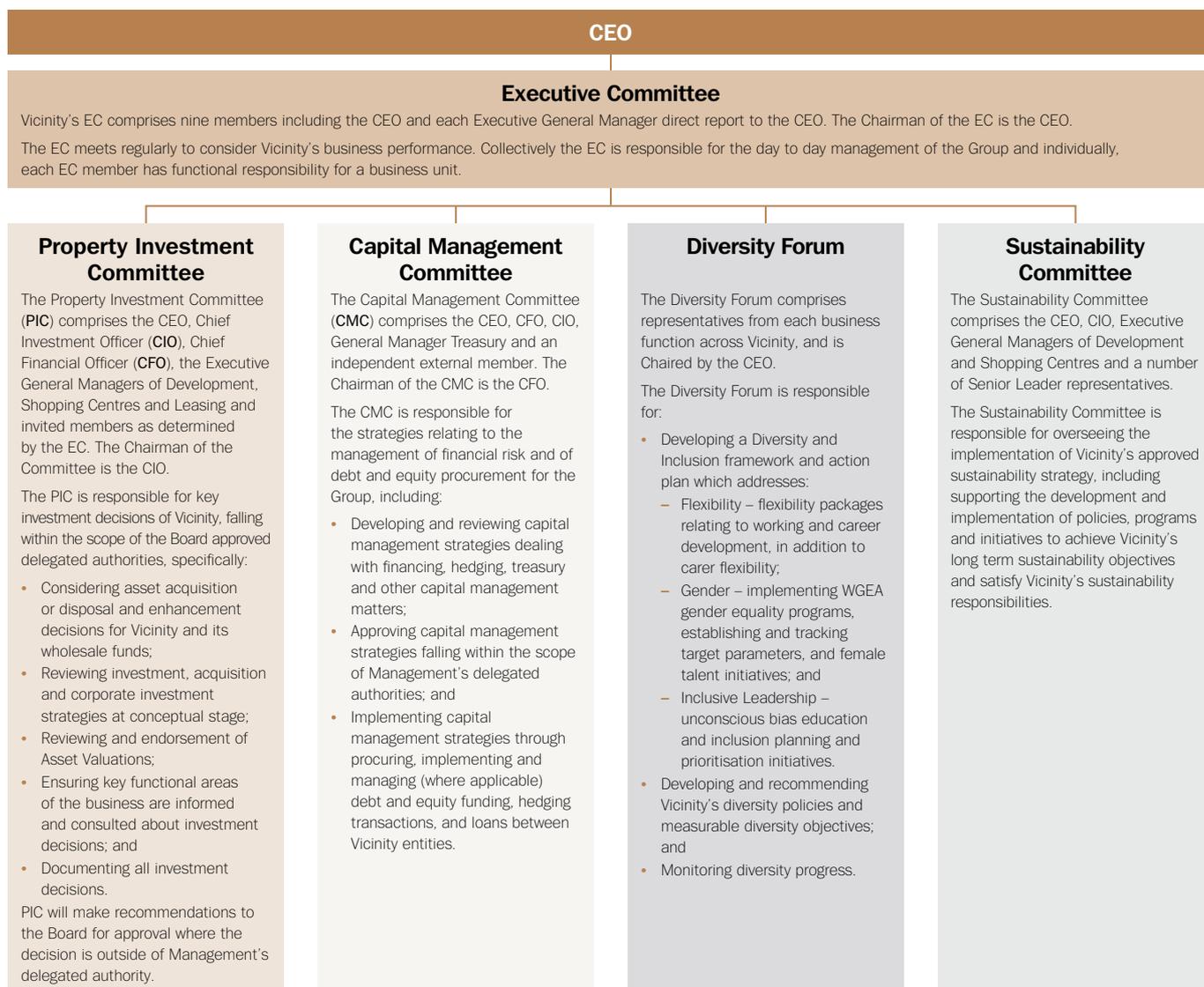
Management and all Vicinity employees must operate in accordance with the Board’s approved policies and delegated limits of authority.

Vicinity has in place a Delegations Policy which supports organisational performance through efficient decision making and effective risk management. The policy specifies the authority delegated to employees to make decisions on behalf of Vicinity in the course of owning, managing and developing Vicinity’s assets.

### Management committees

The CEO has established a number of Management committees to facilitate decision making by Management.

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 Chair, on all matters to do with the proper functioning of the Board. She is also responsible for communications with the ASX and developing and maintaining Vicinity's corporate governance framework. Michelle was appointed following the Merger and was previously Company Secretary and Head of Risk and Compliance of Novion Property Group. She has more than 10 years' legal and corporate governance experience.

Carolyn Reynolds, General Counsel was appointed as an additional company secretary in November 2015 and provides legal advice to the Board as required. Carolyn's biographical details are set out in the FY16 Annual Report.

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

## Ethical and responsible decision making

### Code of conduct

Vicinity Centres has in place a Code of Conduct (the **Code**) which requires Vicinity employees to act in a manner which supports Vicinity's values of relentless curiosity, passion for making things better, momentum through agility and doing what we say we will.

The Code details behavioural 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 behavioural standards outlined in the Code.

### Conflicts of interest and related parties

Vicinity has in place a Conflict of Interest Policy and procedures 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.

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 has been established under Charter and is convened as required. The Committee comprises at least two independent Non-executive Directors of Vicinity Funds RE. The role of the independent Non-executive Directors who are members of the Conflicts Committee for Wholesale Funds 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 Vicinity's 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 updated Risk Management Policy, Risk Appetite Statement and Enterprise Risk Profile, together the foundation of Vicinity's Enterprise Risk Management Framework, were approved by the Board in May 2016 and are scheduled to be reviewed annually. These form the basis for an ongoing program of work to further implement the risk management framework and to set out the strategy and roadmap for its longer term development.

## 2. GOVERNANCE AND OPERATIONAL EXCELLENCE continued

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 2016 at the time of approval of the FY16 Vicinity Financial Report.

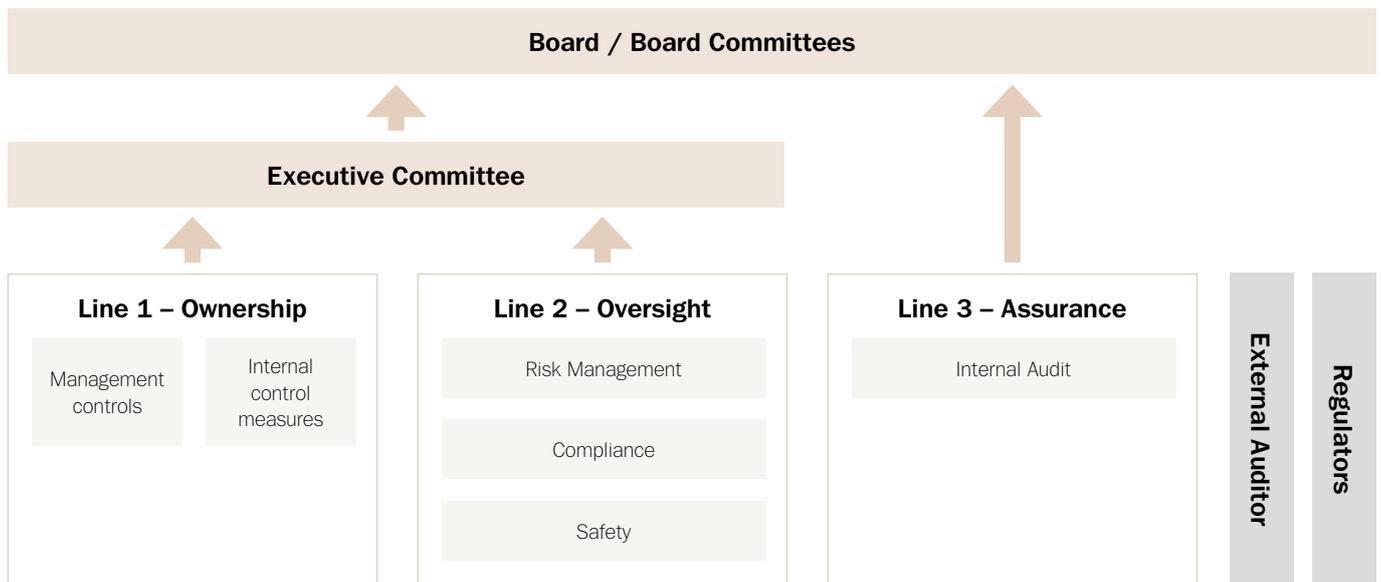
The Risk and Compliance Committee and Board receive quarterly risk governance reports in accordance with Vicinity's risk management framework.

### 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 Executive Committee, 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 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 Operating and Financial Review section of the Directors' Report, available at: [vicinity.com.au/investor-centre/financial-results](http://vicinity.com.au/investor-centre/financial-results). Vicinity will provide greater disclosure on our approach to sustainability in a stand-alone sustainability report due for release in the first half of FY17.

### 3. PEOPLE, CULTURE AND COMMUNICATION

#### People

##### 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 as detailed above.

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. The program includes meetings with Management and any key external stakeholders. Access is provided to Board papers, minutes, key strategic plans and key policies and inspections of Vicinity’s national office and major assets may be undertaken at the Director’s election. 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 WHS 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 current composition of the Board acknowledges the size and scale of Vicinity and skills and expertise required to discharge the Board’s duties in the period post Merger.

The Board engaged an external consultant during FY16 to complete an independent review of the performance of the Board and develop a Board Succession and Renewal Plan in consultation with the Board. One of the outcomes of this review was a commitment to reduce the size of the Board. It is expected that further details regarding changes to Board composition will be available at Vicinity’s Annual General Meeting.

##### Board skills, experience and attributes

The Board skills matrix, developed in October 2015, identifies the number of Directors with developed skills and experience in areas considered most relevant to Vicinity.

The skills matrix for Vicinity Directors was last reviewed in October 2015 and will be reviewed again in FY17 to continue to identify the mix of skills, diversity, experience and areas of expertise which the Board considers relevant and necessary to support Vicinity’s strategic plan. The recommendations arising out of the recent Board performance review and the Board Succession and Renewal Plan will be taken into account.

Figure 6

Director	Industry Experience				Functional and Operational Management Experience										Listed Experience	Corporate Governance Experience	Stakeholder relations		
	Property / Property Management	Retail	Funds Management	GICS Financials/REIT <sup>3</sup>	Accounting / Audit	BD / Strategy / Change Management	Mergers & Acquisitions	Equity and Debt Capital Markets	Legal	Risk Management, WHS and Insurance	Sustainability and Corporate Responsibility	Digital / Online Media, Marketing	IT	Remuneration and culture			Ex-CEO / CFO (listed)	Previous ASX 100 board experience	Investors
Number of Directors with relevant skills, experience or qualifications	7	9	8	8	4	9	11	9	3	6	3	2	3	5	2	8	11	6	5

3 The GICS Financials/ REIT category records a board or executive position with companies comprising the S&P/ASX 200 Financial Index (XFJ). The XFJ includes A-REITs.

Figure 7<sup>4</sup>

**Board Tenure**

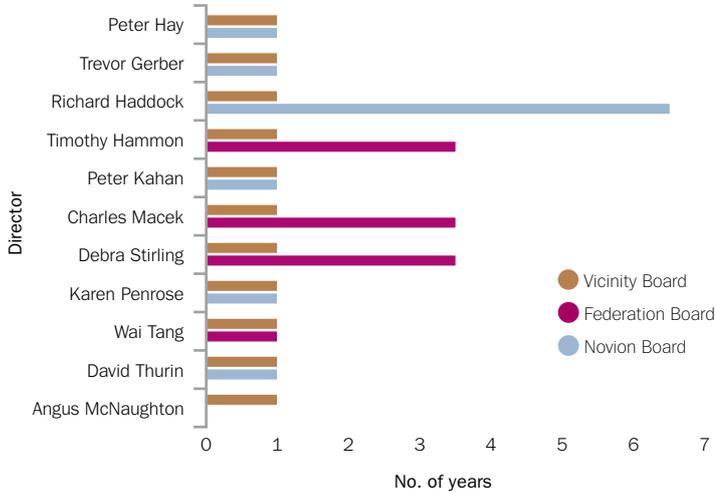
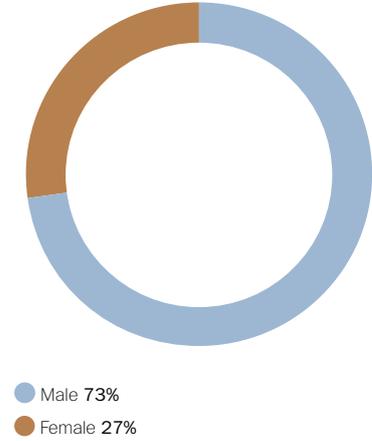


Figure 8

**Gender diversity**

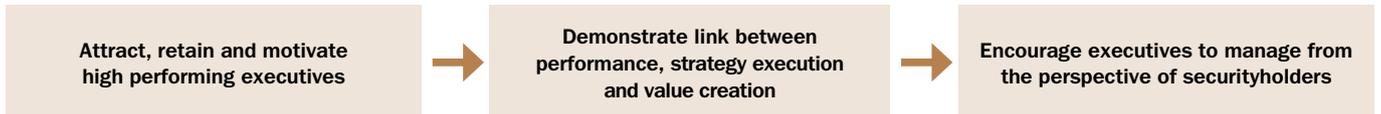


Further details on the qualifications, skills and experience of Vicinity’s Directors, and other directorships held by them are available on Vicinity’s website: [vicinity.com.au/about-us/our-board](http://vicinity.com.au/about-us/our-board).

**Remuneration framework**

Vicinity’s remuneration framework in place throughout FY16 is detailed in the Remuneration Report which forms part of the Directors’ Report, which can be accessed at: [vicinity.com.au/investor-centre/financial-results](http://vicinity.com.au/investor-centre/financial-results).

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**

During the year a Minimum Securityholding Policy for Independent Non-executive Directors was introduced. 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 from the introduction of the policy. 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.

4 Figure 7 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.

## 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 FY16, all employees participated in a mandatory performance evaluation in accordance with this process.

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

On an annual basis, the Remuneration Committee, and subsequently the Board, will formally review 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 FY16 are set out in the Remuneration Report within our 2016 Annual Report available at: [vicinity.com.au/investor-centre/financial-results](http://vicinity.com.au/investor-centre/financial-results).

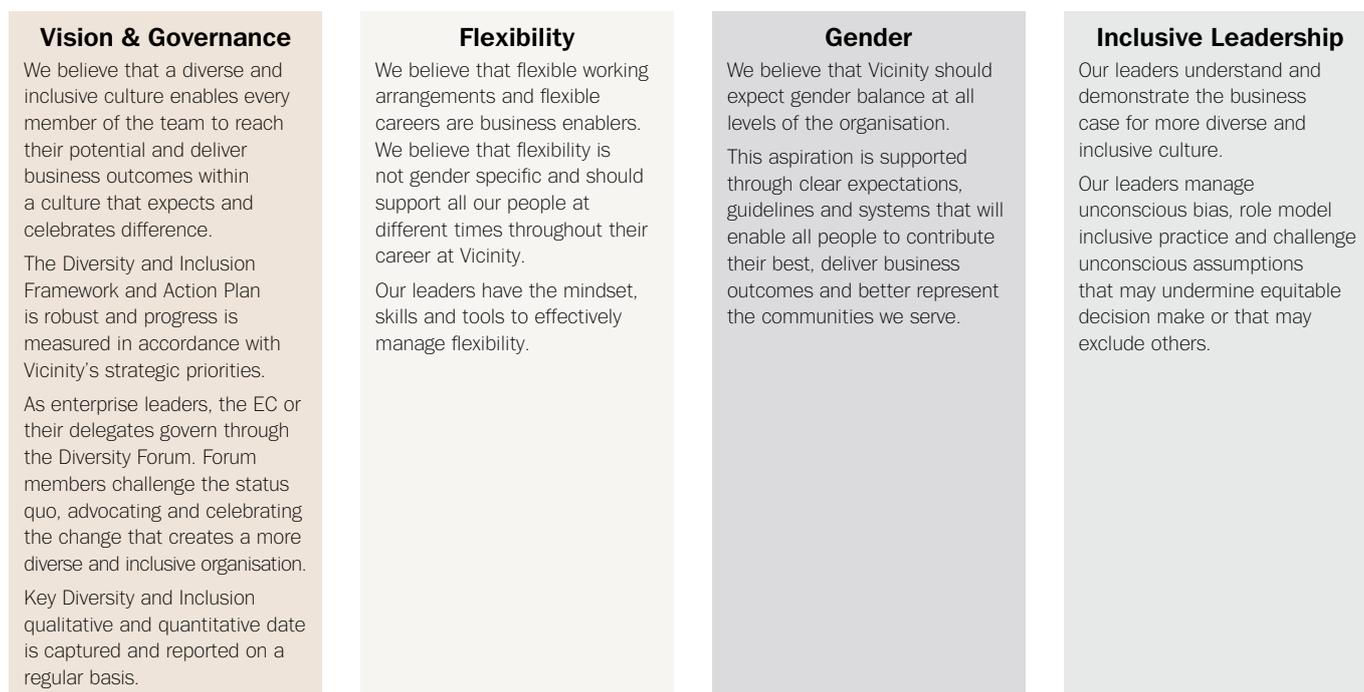
## Diversity and Inclusion

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 has been developed for Vicinity post Merger, based on the following key principles:

Figure 9



### 3. PEOPLE, CULTURE AND COMMUNICATION continued

Table 2

Diversity and Inclusion Framework principle	Objective	Measurable Target	Supporting initiatives	What we achieved in FY16 <sup>5</sup>
<b>Vision &amp; Governance</b>	Diversity and Inclusion is systematic and responsibility sits with the EC	Diversity Forums held regularly	<ul style="list-style-type: none"> <li>Diversity Forum meets every 6-8 weeks</li> <li>Resource Centre for Forum Members</li> <li>Vicinity's CEO is a member of the Property Male Champions of Change</li> <li>Metrics and targets to track progress</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive Diversity and Inclusion Framework and Action Plan in place</li> <li>Forums well attended with strong Management commitment and representation</li> <li>Framework and Action Plan available to all</li> <li>Inaugural Vicinity Workplace Gender Equality Agency (WGEA) compliance report assessed as compliant</li> </ul>
	Foundations established for measuring Diversity and Inclusion engagement benchmarking	Engagement is at or above engagement benchmark with year on year growth expected from previous survey results	<ul style="list-style-type: none"> <li>Inaugural engagement survey completed and data captured by gender, work/life balance and Diversity and Inclusion</li> <li>Survey data analysed and presented to Diversity Forum</li> </ul>	<ul style="list-style-type: none"> <li>No material difference in terms of engagement outcomes by gender</li> <li>Work/life balance is below benchmark (-9%) leading to a commitment to improve flexibility</li> </ul>
<b>Gender</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 under development</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>27% female representation at end of FY16</li> <li>Vicinity's board is relatively new. There has been no change to the composition of directors in FY16</li> <li>A Board succession and renewal plan is being developed</li> </ul>
		<b>% Female representation on EC including CEO (Non WGEA<sup>6</sup> 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>22% female representation at end of FY16<sup>7</sup></li> <li>Vicinity's EC composition is relatively new</li> </ul>
		<b>% Female representation Senior leaders (Other exec/ General Manager WGEA category):</b> 40% by the end of FY17 45% 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 &amp; development, performance assessment activities</li> <li>Building awareness of unconscious bias</li> <li>Initiatives that support flexibility, carer status and return to work from extended leave including parental leave</li> </ul>	<ul style="list-style-type: none"> <li>37% female representation at end of FY16</li> <li>Diversity Forum members undertook unconscious bias training to support their decision making e.g. promotions and recruitment</li> <li>Talent identification framework in place which also tracks gender balance</li> </ul>

<sup>5</sup> Employee population measured at 30 June 2016.

<sup>6</sup> Vicinity reports annually against the WGEA standardised gender equality indicators. The WGEA categories are referred to in Table 2 for transparency.

<sup>7</sup> This percentage reflects a vacant Executive Committee position.

**Diversity and Inclusion Framework principle**

Objective	Measurable Target	Supporting initiatives	What we achieved in FY16 <sup>5</sup>
<b>Gender</b>	<p><b>% Female representation Senior Manager (Senior Manager WGEA category):</b> 33% by the end of FY17 38% by the end of FY18</p>	<ul style="list-style-type: none"> <li>As per Senior Leaders plus specific mentoring programs</li> </ul>	<ul style="list-style-type: none"> <li>30% female representation at end of FY16</li> <li>Recruitment policy and practices updated to support a focus on gender equality</li> <li>Talent identification framework in place which also tracks gender balance</li> </ul>
<b>Gender</b>	<p><b>% Female Representation: Our people (WGEA non-manager category):</b> Maintain at or above 50%</p>	<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 status and return to work from extended leave including parental leave</li> </ul>	<ul style="list-style-type: none"> <li>68% female representation in 2015-2016 WGEA reporting period</li> <li>Recruitment policy and practices updated to support a focus on gender equality</li> <li>2016 graduate intake comprised of a greater proportion of females which continues to contribute to our female talent pipeline</li> </ul>
<b>Flexibility &amp; Carers</b>	<p>Flexibility is a business enabler and we support a flexible working environment and flexible careers</p>	<p>Number of formal flexible work arrangements in place</p>	<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>Flexible Working Arrangement Policy developed with support materials launching in early FY17</li> <li>Carer support materials and resources developed, launching in early FY17</li> </ul>
<b>Flexibility &amp; Carers</b>	<p>Carers are valued members of our team</p>	<p>Implement tracking of carers in FY17, monitoring growth and female representation</p>	<ul style="list-style-type: none"> <li>Carer support materials and resources</li> <li>Specific support for parents on leave and active support and tracking when they return</li> <li>People leader development through Vicinity leadership programs</li> <li>Parental leave support initiatives, including 'Keeping Connected' sessions developed, launching in FY17</li> </ul>
<b>Inclusive leadership</b>	<p>Leadership is key in creating a culture that fosters the diverse and inclusive organisation we wish to create</p>	<p><b>% Leaders and key decision makers completing unconscious bias learning:</b> 100% of identified participants in FY17</p>	<ul style="list-style-type: none"> <li>Unconscious bias workshops for all leaders and key decision makers</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> <li>All EC and Diversity Forum members have completed or are scheduled to complete an unconscious bias workshop with 78% completion to date. FY17 schedule under development for all leaders and key decisions makers</li> <li>Diversity and Inclusion Resource Centre established for Diversity Forum members</li> <li>Vicinity leadership program designed to support awareness of unconscious bias</li> </ul>

### 3. PEOPLE, CULTURE AND COMMUNICATION *continued*

While we still have work to do on gender balance in the senior levels of our business, in the twelve months since Merger, Vicinity has made significant progress in building the necessary foundations to support diversity. A Diversity Policy is under development and will be in place for FY17.

While in Vicinity's initial year, the focus of our Diversity and Inclusion plan has been on gender, we recognise the value in broader diversity. In FY17, Vicinity's Diversity and Inclusion plan will include identifying objectives and priorities that are broader than gender.

#### Culture

Vicinity's core values influence our culture and approach to our work:



Relentless  
curiosity



Passion for  
making things  
better



Momentum  
through agility



Doing what  
we say we will

Vicinity is introducing 'real time working' practices for our people as part of our move to the new national office in Chadstone in late 2016. These practices provide flexible work settings for our people and are expected to deliver a more efficient and effective workplace and encourage greater connections and collaboration amongst Vicinity teams. This represents an important cultural milestone for our people post Merger.

Vicinity undertakes an annual engagement survey which assists the Board and Management in 'checking the pulse' on our culture and values in practice. The Board and Board Committees also assess the health of Vicinity's culture through Management reporting which Directors receive monthly, meetings with Management, visits to Vicinity's corporate offices and centres, Board and Committee reporting and dedicated agenda items at the Remuneration Committee.

#### 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 team members who report a wrongdoing.

#### Communication

##### Continuous Disclosure

Vicinity has adopted a Disclosure and External Communications Policy (**Disclosure 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 to Vicinity investors and the market of price sensitive information;

- 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:

- 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 dedicated Investor Relations team also manages investor enquiries on a daily basis.

The 'Invest' section on Vicinity's website has further information on securityholder communications, including contact details for any investor relations queries [vicinity.com.au/investor-centre](http://vicinity.com.au/investor-centre)

#### 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 Reports;
- 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.

## 4. DIGITAL

### Digital vision

The retail marketplace is constantly changing and digital is playing a fundamental role in driving this evolution. In line with our purpose of enriching community experiences, the Board has approved a digital strategy which aspires to make our centres Australia's most frequented and most loved retail destinations through seamlessly combined physical and digital customer experiences.

To deliver on our digital vision, we are focused on developing appropriate skills in our people and enabling them with the right technology to build a 'digital culture' at Vicinity.

In FY17, we have committed to building greater capability in digital and data analytics, while also progressing work on our digital pillars of connectivity, online and omni-channel. More information on our digital projects is outlined in the Operating and Financial Review section of the Directors' Report, available at: [vicinity.com.au/investor-centre/financial-results](http://vicinity.com.au/investor-centre/financial-results).

## 5. CAPITAL AND STRATEGIC PARTNERSHIPS

### Strategic Partnerships

Access to a diverse range of capital sources, including debt, equity and strategic partner capital, is a key enabler for Vicinity. Around 6% of revenue is derived from providing funds management and asset management services to a range of wholesale funds and joint venture partners.

The governance protocols for dealing with conflicts of interests as outlined above operate when dealing with Vicinity's strategic partners.

### Capital 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.

### Financial Governance and integrity in 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/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.