



A difficult year due to Covid-19

Company/ASX Code	Vicinity Centres - VCX
AGM date	Wednesday, 10 November 2021
Time and location	11.00am (AEDT) - Online
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	John Virgona assisted by Rod Mckenzie.
Pre AGM Meeting?	Yes, with Chair Trevor Gerber and Head of Investor Relations Jane Kenny

An individual involved in the preparation of this voting intention has a security holding in this company.

Summary of issues for meeting

Of significant concern is the proposal to change the constitutions of the securities to allow purely virtual meetings in any circumstance (see Items 5(a) & 6(a) below. ASA is strongly opposed to this move.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Financial performance

The impact of Covid-19 resulted in another challenging year for Vicinity Centres whose portfolio includes a number of Victorian and CBD assets.

For the 12 months to 30 June 2021, Vicinity reported a statutory net loss after tax of \$258 million - an improvement on the FY 2020 loss of \$1,801 million.

Funds from operations (FFO), which excludes revaluation adjustments and some other non-cash items, was up overall at \$558.8 million for the year compared to \$520.3M for the previous year. However, FFO on a per security basis has declined due to the impact of last year's \$1.4B equity raising.

Distributions per security were 10.0 cents per security compared to 7.7 cents for the previous period. In this regard, Vicinity state that 2.5 cents of the 10.0 cent distribution is attributable to one-off items including reversal of FY20 provisions and waivers, elevated surrender payments and temporarily reduced operating costs.

Given the structural shifts occurring in the retail industry sector, Vicinity has flagged a ‘Strategy Refinement’ of further developing income streams in new areas such as logistics, data, automation, artificial intelligence and energy, as well as increased mixed-use development and funds management.

Governance and culture

Vicinity has a board of eight directors with two females and five designated as independent. We note that the gender mix is currently below ASA guidelines of at least 30% of each gender.

We also note that Mr Tim Hammon (not up for re-election this year) has been on the board since 2011 and is approaching the length of service which ASA would no longer classify as being independent.

Whilst ASA intends to vote for the directors standing for re-election this year, we would be concerned if they accepted additional directorships as we consider they already have full workloads.

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	(258.0)	(1801.0)	346.1	1218.7	1583.6
FFO (\$m)	558.8	520.3	689.3	708.7	712.9
Share price (\$)	1.545	1.43	2.45	2.59	2.57
Distribution (cents)	10.0	7.7	15.9	16.3	17.3
TSR (%)	15.0	(39.9)	0.6	7.0	(17.7)
FFO per security	12.28	13.7	18.0	18.20	18.01
EPS (cents)	(5.67)	(47.3)	9.0	31.3	40.0
CEO total remuneration, actual (\$m)	2.2	1.6	2.0	1.5	3.2

For 2021 the CEO’s total actual remuneration was **23.1 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics).

Note - For May 2021, the Full-time adult average weekly total earnings (annualised, original) was \$93,444 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, “Full-time adult average weekly total earnings”).

Item 2	Non-binding advisory vote on Remuneration Report
ASA Vote	For

Summary of ASA Position

There was no change to target fixed remuneration for FY21. Fixed remuneration is higher than FY20 when, in a response to COVID-19, there was 20% temporary decrease in fixed remuneration for last three months of that year. No increase in target fixed remuneration is proposed for FY22.

Under the short-term incentive plan (STI), for key management personnel (KMP), payment is a 50/50 mix of cash and equity. For the CEO, the equity component is deferred for 24 months and 18 months for other KMPs.

The STI performance measures are clearly set out in the remuneration report, although for some measures the precise hurdle is not included. While some objectives are difficult to measure, such as people, leadership and operational excellence, most of the objectives have clearly measurable financial outcomes.

For the CEO, Grant Kelley, target STI is 75% of fixed remuneration with a maximum opportunity of 100%. For the other KMPs, COO Peter Huddle, the target STI is 87% with maximum opportunity of 130.5% and for former CFO Nick Schiffer target is 100% and maximum is 105% of fixed remuneration.

In FY21, CEO Grant Kelley was awarded 69% of the target STI opportunity with COO Peter Huddle receiving 53% and CFO Nick Schiffer achieving 33.3%.

In prior years there have been two performance measures to test for vesting of long-term incentives (LTIs) – 50% subject to a total return (TR) measure and 50% subject to a relative total shareholder return (TSR). The TR hurdle is a minimum of 9% with 50% vesting, rising to 100% vesting at 9.5%.

In response to the COVID-19 situation, a one-off change to LTI arrangements was made for FY21 only. Whilst the TSR performance rights component was retained, the TR Performance Rights award is replaced by restricted rights but reduced to half of the number of the TR performance rights that they replace. The performance period for the TSR is 4 years and the restricted rights vest over 4 years subject to effective performance and ongoing employment.

This was approved at the 2020 AGM and supported, on balance, by the ASA.

In FY21 Mr Kelley has been awarded the TSR performance rights with a face value of \$1,012,500 (representing 67.5% of Mr Kelley's total fixed remuneration (TFR)); and restricted rights with a face value of \$506,250 (representing 33.75% of Mr Kelley's TFR).

The FY19 LTI grant was tested at 30 June 2021. As neither the TR nor the TSR thresholds were met, the FY19 LTI performance rights did not vest.

See Appendix 1 below for further details of CEO remuneration.

There are several matters in the 2021 remuneration that please ASA. The representation of Pay Mix is excellent and is a presentation we would like other companies to adopt. A table of actual remuneration is included. This is something that ASA has lobbied for over many years.

The performance period of vesting of rights is four years and face value is used in determining the number of rights awarded for a given value of the award.

In FY20, following ASA lobbying, an absolute TSR 'gate' was introduced ensuring benefit will only be derived from the TSR performance rights when positive TSR performance is delivered over the four-year term of the plan, regardless of performance relative to competitors.

It is disappointing, however, that this has been dropped in the revised LTI arrangement for FY22.

Item 3(a)	Re-election of Mr Clive Appleton as Director
ASA Vote	For

Summary of ASA Position

Clive Appleton was appointed as a director in September 2018 and has extensive experience in property and funds management and property development, having worked for several of Australia's leading retail property investment, management and development groups.

Mr Appleton is currently Chairman of Aspen Group and Pancare Foundation, Deputy Chairman of The Gandel Group Pty Limited, and a director of Perth Airport Pty Ltd and Perth Airport Development Group Pty Ltd.

Given his association with The Gandel Group Pty Limited, a substantial securityholder and a 50% co-owner of Chadstone shopping centre and a director of companies forming part of Perth Airports Corporation which with Vicinity will co-own DFO Perth he is not considered an independent Director.

Item 3(b)	Re-Election of Ms Janette Kendall as Director
ASA Vote	For

Janette Kendall became a director in December 2017 and has significant expertise in strategic planning, digital innovation, marketing, operations and leadership across a number of industry sectors including digital and technology, marketing and communications, media, retail, fast-moving consumer goods, hospitality, gaming, property and manufacturing.

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

Ms Kendall is also a director of Costa Group, Tabcorp Holdings Limited, KM Property Funds, Australian Venue Co and Visit Victoria

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

Item 3(c)	Re-election of Mr Tim Hammon as Director
ASA Vote	For

Tim Hammon joined the Vicinity Board in December 2011. He has extensive wealth management, property services and legal experience. He is currently Chairman of The Pacific Group of Companies Advisory Board and of Liuzzi Property Group, a director of EQT Holdings Limited and an advisor to EMT Partners Pty Ltd.

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

Item 4	Approval Of Equity Grant To CEO/Managing Director Mr Grant Kelley
ASA Vote	For

Summary of ASA Position

Securityholders are asked to approve performance rights with a face value of \$2,025,000 (representing 135% of Mr Kelley's total fixed remuneration) to be granted to Mr Kelley as part of his FY22 remuneration package.

Vesting of these performance rights is subject to performance measures as described below.

Following a one-off change to LTI arrangements for FY21, Vicinity has undertaken a detailed review of performance measures for this element of remuneration.

The new LTI arrangement retains equally weighted relative TSR and TR performance measures but there are some changes to methodology, targets and vesting.

Previously the TSR comparator group was the S&P/ASX 200 A-REIT Index, excluding Unibail-Rodamco-Westfield. The TSR component has never vested largely due to relative underperformance of the retail sector within the A-REIT index.

This has been replaced by comparator group of five companies more focused on the retail sector with equal weighting for mainly retail exposed competitors and lower weighting for non-retail exposure.

It is considered that this approach, is in principle, more relevant; however, ASA does not understand why Dexus, largely an office REIT is included while Stockland, which has a material retail exposure, is left out of the comparator group. In raising this matter, Vicinity indicate that the comparator group will be reviewed from time to time.

There is 50% vesting of performance rights when Vicinity's TSR meets newly constructed index. Full vesting occurs when the TSR exceeds the index by 11.2% cumulatively over four years.

The performance period of four years is consistent with ASA guidelines.

In a retrograde step, the gateway of requiring a positive TSR for an award to vest, has been dropped. Instead, an award can still be made even if shareholders suffer a negative return unless

the board exercises discretion to cancel. ASA's view is that such an award in these circumstances should only be made in exceptional circumstances.

The TR performance measure is basically the movement of the value of net tangible assets (NTA) plus distributions over a year.

Vesting occurs after 4 years with 10% vesting if 4.5% pa compound growth is achieved and progressively increasing to 100% vesting if 7.25% pa growth occurs. This replaces a previous schedule that required 9% pa compound growth before any performance rights vested.

ASA considers that the revised scale is appropriate in the current low growth environment.

Item 5(a)	General amendments to the Company Constitution
ASA Vote	For

Summary of ASA Position

The proposed amendments to the Constitution incorporate several changes to allow the board greater discretion to cancel, postpone or change the venue of a general meeting and to assist with the orderly conduct of general meetings of the company, which will bring the constitution in line with modern practice.

It is also proposed to amend the constitution to allow the movement of capital from the trust to the company and vice versa.

The ASA considers these changes to be non-controversial and does not oppose them.

Item 5(b)	Technology amendments to the Company Constitution
ASA Vote	Against

Summary of ASA Position

This resolution seeks to allow Vicinity to hold a fully virtual general meeting should it wish to do so. The company states that it does not presently intend to permanently hold virtual general meetings.

The ASA strongly opposes this resolution and believes that it has the potential to be detrimental to shareholders rights, particularly to retail shareholders.

ASA's view is that fully virtual meetings should only occur in a state of emergency. Shareholders must be allowed to engage with directors more fully by being in the same physical location at general meetings.

With the current state of technology, it is considered that retail shareholder's rights and access are seriously compromised.

Qantas, Bendigo Bank, Dexus and Brambles have withdrawn resolutions with similar effect before their AGMs. It is understood that the Australian Council of Superannuation Investors is also against virtual only meetings.

Item 6(a)	General amendments to the Trust Constitution
ASA Vote	For

Summary of ASA Position

The proposed changes to the trust constitution largely mirror those to the company constitution and are not opposed

Item 6(b)	Technology amendments to the Trust Constitution
ASA Vote	Against

Summary of ASA Position

This resolution mirrors that under 5(b) and is strongly opposed by the ASA. The ASA believes that it has the potential to be detrimental to security holder’s rights and access particularly for retail security holders.

Appendix 1

Remuneration framework detail

CEO rem. Framework for FY21	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.500	44.4%	1.500	33%
STI - Cash	0.5625	16.6%	0.750	16.5%
STI - Equity	0.5625	16.6%	0.750	16.5%
LTI	0.7595**	22.4%	1.519	34%
Total	4.144	100.0%	4.519	100%

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

*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

**ASA has assumed 50% vesting of LTI in contrast to Vicinity's Annual Report disclosure of 100%.

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