



Audit Committee Charter

Vicinity Centres
May 2020

Audit Committee Charter

1. Purpose

- 1.1 The purpose of the Committee is to assist the Board in fulfilling its corporate governance responsibilities in relation to:
- the integrity of external reporting of financial information;
 - the integrity of Vicinity's financial reporting processes and internal control framework;
 - the management of accounting and financial risks;
 - accounting, treasury and tax policies and practices; and
 - the internal and external audit functions.
- 1.2 The Committee will primarily fulfil these responsibilities (and any other matters, powers or responsibilities delegated to the Committee by the Board from time to time) by carrying out the activities outlined in the Responsibilities section of this Charter.

In this Charter:

Board means the Boards of the Company, the Responsible Entity and VFRE.

Company means Vicinity Limited.

Responsible Entity means Vicinity Centres RE Ltd, the responsible entity of the Trust.

Trust means Vicinity Centres Trust.

VFRE means Vicinity Funds RE Ltd, the responsible entity of the Wholesale Funds managed by Vicinity.

Vicinity means the Company, the Trust, the Responsible Entity, VFRE and each of their respective controlled or managed entities.

2. Composition

- 2.1 The Committee will comprise at least 3 members of the Board, the majority of whom are independent, non-executive Directors.
- 2.2 The Committee Chairman must be an independent non-executive Director who is not the Chairman of the Board.
- 2.3 The Committee Chairman will be a member of the Risk and Compliance Committee (**RCC**) to assist with the sharing of relevant information between the two Committees.
- 2.4 All Committee members should be financially literate and at least one member of the Committee must have significant financial and/or accounting experience.
- 2.5 The Committee as a whole must have a sufficient understanding of Vicinity's business and industry to be able to discharge the Committee's mandate effectively.
- 2.6 Committee membership and the Committee Chairman will be determined by the Board from time to time. Committee members may withdraw from membership by written notification to the Board.
- 2.7 The Secretary of the Committee will be the Company Secretary, unless otherwise determined by the Committee.

3. Meeting Procedures

- 3.1 The Committee will meet at least four times a year or more frequently as required.
- 3.2 The provisions of the Company's Constitution dealing with Directors' meetings and written resolutions apply to meetings of the Committee.
- 3.3 The quorum for meetings of the Committee will be two members.

- 3.4 If the Committee Chairman is absent from any Committee meeting, the Committee members present at that meeting will appoint one of their number to be Chairman of that meeting.
- 3.5 The Committee will allocate time within each meeting to hear from the internal and external auditors without Management present, and may choose to meet with Management without the internal and external auditors present.

4. Advice and Resourcing

- 4.1 The Committee has free and unfettered access to Vicinity's management, finance personnel and external and internal auditors, and any other relevant internal or external party and information, to the extent necessary to perform its role. These persons also have direct access to the Committee.
- 4.2 The Chief Executive Officer, Chief Financial Officer, General Counsel, External Auditor and Head of Internal Audit have a standing invitation to attend all Committee meetings and will be provided with relevant meeting materials.
- 4.3 All Directors have access to relevant meeting materials (including minutes or written resolutions of the Committee which Directors may inspect at any time) and may attend Committee meetings.
- 4.4 The Committee may initiate special investigations as it sees fit, or as directed by the Board, in relation to matters set out in this Charter, or any other matter referred to the Committee by the Board.

5. Responsibilities

The responsibilities of the Audit Committee are as follows:

5.1 Accounts and Financial Reporting

- 5.1.1 Review the full year and half year financial statements of Vicinity and assess whether the financial statements reflect a true and fair view of the financial position and performance of Vicinity, in accordance with relevant reporting requirements as a basis for recommendation for adoption by the Board.
- 5.1.2 Engage in the proactive oversight of Vicinity's financial reporting and disclosure processes.
- 5.1.3 Review significant accounting and financial reporting issues, including matters subject to accounting judgements and estimates, and the appropriateness of any significant judgements made by management.
- 5.1.4 Review the appropriateness of, and any amendments to, accounting policies.
- 5.1.5 Review the consistency of investor materials relating to Vicinity's full year and half year results with the financial statements.

5.2 Internal Control

- 5.2.1 Review the effectiveness of financial reporting systems and internal controls relating to financial risk management.
- 5.2.2 Oversee and monitor internal control deficiencies reported by the internal and/or external auditor or management, and the timely and fulsome resolution of these matters as appropriate, including action dates, requests for extensions to action dates, status of actions, action owners and action closure.
- 5.2.3 Review the processes underpinning the declarations of the Chief Executive Officer and Chief Financial Officer as to the effective operation of financial risk management and internal control systems in relation to financial reporting risks.

5.3 External Audit

- 5.3.1 Recommend to the Board the appointment and removal of the external auditor (including any proposed amendments to the terms of the external auditor's engagement) and oversee the rotation of the external audit engagement partner.
- 5.3.2 Review the adequacy of the scope of the external audit (including assessing that all material risks are addressed), and approve fees and any other terms of the external auditor's engagement not expressly covered by this Charter.
- 5.3.3 Review reports from the external auditor regarding financial reporting-related assurance engagements, including major issues identified during engagements and the external auditor's findings, and evaluate, and monitor management's response to, recommendations made by the external auditor.

- 5.3.4 Oversee and appraise at least annually the independence, adequacy and performance of the external auditor.
- 5.3.5 Monitor the working relationships between the internal and external audit functions and these functions and management.
- 5.3.6 Approve the External Audit Policy (refer Attachment 1).
- 5.3.7 Monitor the level of non-audit services performed by the external auditor, including fees payable to the external auditor, in accordance with the External Audit Policy, and review reports from management and the external auditor on compliance with the External Audit Policy.
- 5.4 **Internal Audit**
 - 5.4.1 Monitor the effectiveness, independence and objectivity of the internal audit function and approve the appointment and removal of the Head of Internal Audit.
 - 5.4.2 Review and approve the Internal Audit Charter and annual internal audit program, ensuring it addresses key risks.
 - 5.4.3 Review and approve the resourcing and adequacy of, and budgetary allowance for, the internal audit function.
 - 5.4.4 Review findings from the internal auditor and monitor management's response to recommendations.
 - 5.4.5 Obtain an external assessment on the adequacy and effectiveness of the internal audit function at least once every four years, at the Committee's discretion.
- 5.5 **Treasury**
 - 5.5.1 Monitor treasury matters including financing strategies, governance, risk management activities (market and operations) and compliance with covenants.
 - 5.5.2 Review and approve, or make recommendations to the Board, regarding treasury related matters in accordance with the delegated authorities.
- 5.6 **Taxation**
 - 5.6.1 Review reports from management on taxation matters including strategies, risks, key legislative developments and Vicinity's compliance with applicable legislation and regulations.
 - 5.6.2 Review the tax risk profile and monitor relationships with revenue authorities.
 - 5.6.3 Review the adequacy and effectiveness of the tax risk management framework, including policies, processes and procedures.
- 5.7 **Other**
 - 5.7.1 Review activity undertaken by regulatory agencies relevant to the Committee's areas of responsibility, including to assess any impact on the financial statements or tax position of Vicinity.
 - 5.7.2 Review and make recommendations to the Board as to compliance with the financial requirements of VCRE and VFRE's Australian Financial Services Licences to support the Board's ongoing monitoring obligations.

6. Interaction with the Board and other Committees

- 6.1 The Committee only has responsibility for matters set out in the Board Charter that are included in section 5 of this Charter or additional responsibilities or powers that are delegated to the Committee by the Board from time to time. The Committee's role does not extend to any of the responsibilities set out in the Charters of the RCC and the Remuneration and Human Resources Committee.
- 6.2 The Committee will, in discharging its duties, seek to co-ordinate its activities with the other Board Committees where appropriate, including but not limited to:
 - 6.2.1 the Committee Chairman will liaise with the RCC Chairman on an ongoing basis to ensure that no material matter is overlooked by the two Committees and to avoid duplication; and
 - 6.2.2 the Committee Chairman will consult with the RCC Chairman with respect to the scope of the internal audit plan and to agree accountability for the oversight and monitoring of internal audit matters, including the management and timely resolution of any internal control deficiencies identified. The Committee Chairman will ensure the RCC Chairman is provided with copies of reports relevant to the RCC's scope of responsibility; and

- 6.2.3 the Committee Chairman will report to the Remuneration and Human Resources Committee any financial and/or internal control matter relevant to the determination of variable remuneration outcomes for the Chief Executive Officer and the Chief Executive Officer's direct reports.

7. Reporting

- 7.1 The Committee Chairman will provide a verbal report of the considerations of the Committee:
- 7.1.1 to the Board at its next meeting following a meeting of the Committee (including any approvals granted outside a meeting of the Committee), and including recommendations on any specific decisions or actions the Board should consider; and
 - 7.1.2 to the Risk and Compliance Committee at its next meeting following a meeting of the Committee in respect of matters relevant to that committee's mandate.
- 7.2 Any significant issues or material risks to Vicinity that the Committee becomes aware of will be notified to the Board.

8. Performance and Charter Review

- 8.1 The Board or Committee will assess the Committee's performance annually as part of the Board evaluation process having regard to the principles and requirements of this Charter and any relevant findings and agreed actions will be considered by the Board in a timely manner.
- 8.2 The Committee will review the Committee charter at least every two years or earlier if deemed necessary by the Committee or Board and recommend proposed amendments to the Board for approval.

Attachment 1

External Audit Policy

Appointment

The Audit Committee (**Committee**) has the responsibility and authority (subject to *Corporations Act 2001* (Cth) requirements) for recommending to the Board the appointment, reappointment or replacement of the external auditor as well as evaluating its effectiveness and independence and approving its external audit fees.

Independence and Rotation of External Audit Engagement Partner

Vicinity's external auditor must be independent pursuant to the *Corporations Act 2001* (Cth). The Committee will review the external auditor's independence in accordance with these requirements and the standards agreed between Vicinity and the external auditor, which include:

- rotation of the senior external audit partner every five years;
- annual confirmation by the external auditor that it has satisfied all professional regulations relating to auditor independence;
- half-yearly reporting on the forecast level of external audit and non-audit fees; and
- any non-audit work performed by Vicinity's external auditor must be carried out in accordance with the protocols set out below.

Provision of non-audit services

It is expected that a ratio of non-audit to audit services (**Ratio**) of less than 1:1 will be maintained each financial year and the provision of any non-audit service activity by the external auditor must be authorised by the Chief Financial Officer, irrespective of its value (or likely value). The Committee is to be formally advised of the forecast level of non-audit services and expected Ratio for that financial year on a six monthly basis. In the event there is a prospect that a new non-audit services engagement will result in the Ratio exceeding 1:1 in a financial year, Committee Chairman approval is required for that engagement.

The Chief Financial Officer or their delegate will keep a record of any non-audit services provided by the external auditor.

For the avoidance of doubt, non-audit services are those that do not relate to the agreed scope for half and full year assurance activities in relation to Vicinity's financial reporting requirements under the *Corporations Act 2001* (Cth). Examples of non-audit services include but are not limited to sustainability related assurance engagements, compliance audits, health and safety related assurance engagements, treasury transaction due diligence reviews and joint venture related audit services.