## Scentre Group [1] : Appendix 4E

## For the year ended 31 December 2020

(previous corresponding period being the year ended 31 December 2019)

### Results for Announcement to the Market:

| | | | 2020 | 2019 |
|---|---|---|---|---|
| Revenue ($million) | down | 17.4% | 2,162.3 | 2,616.4 |
| Expected credit charge relating to COVID-19 ($million) | | | (303.9) | - |
| Unrealised movements in property valuation (non-cash) ($million) | | | (4,254.2) | (151.9) |
| Profit/(loss) after tax (inclusive of unrealised movements) attributable to members of Scentre Group ($million) | down | 416.4% | (3,731.8) | 1,179.5 |
| Operating profit attributable to members of Scentre Group ($million) | down | 40.1% | 763.4 | 1,274.7 |
| Operating profit per security attributable to members of Scentre Group (cents per stapled security) [(i)] | down | 39.0% | 14.71 | 24.10 |
| Funds from operations (FFO) attributable to members of Scentre Group ($million) | down | 42.5% | 766.1 | 1,331.9 |

(i) In calculating the Operating profit per stapled security 5,188,921,189 (31 December 2019: 5,289,057,510) weighted average securities was used.

### Dividend/Distributions for Scentre Group

| | Cents per stapled security |
|---|---|
| Dividend/distributions for the year ended 31 December 2020 | 7.00 |
| Final dividend/distributions in respect of Scentre Group earnings to be paid on 26 February 2021 comprising: [(ii)] | |
| - dividend in respect of a Scentre Group Limited share | Nil |
| - distribution in respect of a Scentre Group Trust 1 unit | 4.43 |
| - distribution in respect of a Scentre Group Trust 2 unit | 2.57 |
| - distribution in respect of a Scentre Group Trust 3 unit | Nil |
| Interim dividend/distributions in respect of Scentre Group earnings for the half-year ended 30 June 2020 | Nil |

(ii) The number of securities entitled to distributions on the record date, 15 February 2021 was 5,190,378,339.

The dividend/distributions per security have been determined by reference to the number of securities on issue at the record date. The record date for determining entitlements to the final distribution was 5pm, 15 February 2021 and the distribution will be paid on 26 February 2021. The Group does not operate a distribution reinvestment plan.

Details of the full year components of distributions in respect of Scentre Group Trust 1 and Scentre Group Trust 2 will be provided in the Annual Tax Statements which will be sent to members in March 2021.

### Additional information

Commentary on the results is contained in the announcement and results presentation released to the Australian Securities Exchange. The additional information requiring disclosure to comply with listing rule 4.3A is contained in the attached Annual Financial Report which includes the audited consolidated financial report. The annual general meeting will be held on 8 April 2021.

[1] Scentre Group comprises Scentre Group Limited ABN 66 001 671 496 (SGL); Scentre Group Trust 1 ARSN 090 849 746 (SGT1); Scentre Group Trust 2 ARSN 146 934 536 (SGT2) and Scentre Group Trust 3 ARSN 146 934 652 (SGT3) and their respective controlled entities.

*Creating extraordinary places, connecting and enriching communities*

31 December 2020

Scentre Group Limited ABN 66 001 671 496

SCENTRE GROUP

# **2020** Annual Financial Report

# Contents

Scentre Group owns and operates an extraordinary platform of 42 Westfield Living Centres across Australia and New Zealand encompassing more than 12,000 outlets. Our customer strategy is focused on delivering extraordinary experiences, every day, delivering the first choice platform for retail and brand partners to connect and interact with customers.

# 2020 Results Overview

| | | **FY20** | FY19 | FY18 | FY17 | FY16 |
|---|---|---|---|---|---|---|
| Operating profit[i][ii] | A$m | **763.4** | 1,274.7 | 1,270.3 | 1,229.1 | 1,177.2 |
| Operating profit per security[ii] | cents | **14.71** | 24.10 | 23.94 | 23.14 | 22.16 |
| Funds From Operations (FFO)[ii] | A$m | **766.1** | 1,331.9 | 1,330.0 | 1,285.2 | 1,234.0 |
| FFO per security[ii] | cents | **14.76** | 25.18 | 25.06 | 24.20 | 23.23 |
| Profit/(loss) after tax (inclusive of unrealised movements) | A$m | **(3,731.8)** | 1,179.5 | 2,287.2 | 4,217.9 | 2,990.5 |
| Distribution per security | cents | **7.00** | 22.60 | 22.16 | 21.73 | 21.30 |
| Security price (at 31 December) | A$ | **2.78** | 3.83 | 3.90 | 4.19 | 4.64 |
| Assets under management (AUM) | A$b | **49.9** | 56.0 | 54.2 | 51.0 | 45.7 |
| Group's share of AUM | A$b | **34.1** | 38.2 | 39.1 | 36.2 | 32.3 |

[i] Funds from Operations before Project Income (net of tax).

[ii] For consistency with FY20, FY16-FY19 has been restated to exclude straightlining of rent.

# Our Purpose

Creating extraordinary places, connecting and enriching communities

# Our Plan

We will create the places more people choose to come, more often, for longer

## Customers

We will be customer obsessed, delivering extraordinary experiences, every day

## Retail & Brand Partners

We will be true business partners for our retailers and brands to maximise their opportunity to interact with customers

## People

We will be the place for talent to thrive

## Investors

We will deliver long term sustainable returns through economic cycles

## We are a responsible, sustainable business

### Community

Designing and operating Westfield Living Centres that are considered valued social infrastructure and an integral part of our customers' lives

### People

Creating a safe, healthy, diverse and inclusive workplace where talent thrives

### Environment

Net Zero Emissions by 2030

### Economic Performance

Reducing our risk and creating sustainable long-term value

## Our DNA – our values

We put our customer first

We succeed together

We act with integrity

We are constantly curious

We strive for excellence

We create a positive legacy

# Dear Securityholder

## Joint Chairman and Chief Executive Officer Letter to Securityholders

We remained committed to our customer strategy during the challenging operating environment of 2020, brought the future forward and focused on Our Plan. We were proactive and decisive in supporting our customers, retail partners and people to enhance long-term value for our securityholders.

As a result, the Group achieved gross cash inflow of $2,357 million and net operating cash flows (after interest, overheads and tax) grew by 95.7 per cent in the second half of the year to $771 million. The Group collected $2,059 million in gross rent collections, including $641 million during Q4 2020, equivalent to 100 per cent of gross billings.

Every Westfield Living Centre remained open, every day, providing our retail and brand partners the opportunity to connect with customers. Despite the government restrictions, we had more than 450 million customer visits in 2020.

When we reflect on the year, we know our business fundamentals are strong. We operate a business and brand that is important to our customers and essential to the community. The strategic locations of our 42 Westfield Living Centres, close to where most of the population lives and works, our customer strategy, and our strong organisational culture underpinned by our diversity and inclusion strategy, means we are well-positioned for future growth.

We are very proud of our people and their ability to remain agile and focused and thank them for their efforts and contribution.

Our people maintained their dedication to customers and seized opportunities to do things differently. We accelerated new strategic initiatives to support our customer-driven strategy and meet the needs of our communities in a COVID-Safe way.

This included piloting a contactless, drive-through aggregated click and collect platform called Westfield Direct. This was an extraordinary achievement, delivered within a two-week period, with internal resources from our digital and customer experience teams. We have taken advantage of the learnings from this period and directed them into the development of some new offerings which will launch in 2021.

We successfully launched Westfield Plus in New Zealand in 2019 and introduced this membership platform to Australia in 2020, resulting in more than 1.2 million members so far. This is the next step in our customer strategy as we seek to find new ways to engage with our customers.

Our commitment to major community initiatives was constant, including our Westfield Local Heroes program, which saw $1.2 million and 126 grants awarded to deserving individuals and their organisations across our communities.

We maintain regular engagement with our customers to understand their needs, including our Westfield iQ research platform. Customers tell us they want to experience physical stores and experiences and interact with brands. This continues to drive strong demand as demonstrated by our occupancy of 98.5 per cent and deal activity, which saw more than 2,625 new leasing deals completed in the year, the vast majority of these completed in the second half.

We did not receive any financial support from the Australian or New Zealand governments including the JobKeeper program. We played an industry leadership role through the Shopping Centre Council of Australia to support government engagement and public policy development. We focused our case-by-case support on those that needed the most help which were our small to medium (SME) sized 'mum and dad' retail partners. We reached commercial arrangements with 3,398 of our 3,600 retail partners including 2,456 SME retail partners in relation to the Code of Conduct for Commercial Tenancies.

We increased our employee engagement activities and communications during the year to ensure our people remained informed and connected to the business.
We maintained our momentum on our diversity and inclusion strategy and initiatives and prioritised our employee resource group deliverables around mental health and wellbeing and domestic and family violence.

We remain customer obsessed and focused on listening and adapting to our customers' rapidly changing expectations.

Our ability to make decisions through the cycle has underpinned investor confidence and support from debt capital markets when we needed it. At the onset of the pandemic, we acted quickly to secure additional funding, ensuring we were in a strong financial position to see the Group through and beyond the volatile period. Our capital management actions were focused on preserving value for the long-term and we did not seek equity from our securityholders.

Most significantly, we priced a US$3.0 billion (A$4.1 billion) 60-year subordinated hybrid note issue in the United States market to diversify our sources of capital and ensure enough long-term liquidity to cover all debt maturities to early 2024.

Our long-term objective to create sustainable returns for our securityholders is consistent with our approach to be a responsible, sustainable business. Our Corporate Governance Statement and Code of Conduct encapsulate our policies and how they are integrated into our decision making and culture.

During 2020, we announced our target to achieve Net Zero Carbon Emissions by 2030 and committed to the Task Force for Climate-Related Financial Disclosures (TCFD). Page 16 of this report includes our first disclosure against TCFD recommendations in our annual report. Our standalone Responsible Business Report and our first Modern Slavery Statement will be released at the end of March 2021.

Board renewal and succession planning continues to be a focus. The Board is committed to continuing to ensure that we include directors with an appropriate mix of skills, knowledge, experience and diversity, including gender. We are in the process of addressing further gender representation. During the year we were pleased to welcome Michael Wilkins and Guy Russo to the Board. Mike and Guy are valued business leaders and we are looking forward to their diverse perspectives and contribution to the Group.

As consumer confidence continues to grow and the economic recovery picks up pace, the Board, management and our people are confident 2021 will bring a year of opportunity.

We remain customer obsessed and focused on listening and adapting to our customers' rapidly changing expectations. We will continue to innovate, pursue market share and deliver on Our Purpose and Our Plan – creating the places more people choose to come, more often, for longer.

We thank our people for their commitment to our customers during a disrupted year, and for their contribution to this year's results.

Thank you for your continued support of Scentre Group.

**Brian Schwartz AM**
Chairman

**Peter Allen**
Chief Executive Officer

24 February 2021

# Directors' Report

This Directors' Report provides information on the structure of our business, our financial performance for the period 1 January 2020 to 31 December 2020 (Financial Year), our strategies and prospects and the key risks that face Scentre Group (Group or SCG).[i]

[i] The Group is structured as a stapled entity: a combination of a share in Scentre Group Limited (Company) and a unit in each of Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 which are stapled and trade together as one security on the ASX. For accounting purposes, the Company is the parent entity of the Group. This report covers the Company and its controlled entities for the Financial Year.

# 1. Operating and Financial Review

The strategic locations of our Westfield Living Centre portfolio enables our retail and brand partners to efficiently connect with more customers.

## 1.1 Our Purpose, Our Plan and DNA

Our Purpose – *creating extraordinary places, connecting and enriching communities* – underpins our culture and strategy. It was established in 2014 when Scentre Group was formed and has remained constant since.

We aspire for our Westfield Living Centres to be regarded as an integral part of our customers' and communities' lives – a 'third place' after their home and workplace; a place where they feel welcome, inspired and compelled to visit frequently because the products, services and experiences we offer meet their needs and wants.

Our Plan – *to create the places more people choose to come, more often, for longer* – is based on the principle that we compete for the time and attention of our customers.

It reinforces the competitive advantage we have in the location of our Westfield Living Centres – we are local to our customers, in densely populated urban areas, close to where people live and work and embedded in the heart of communities.

Our ability to understand what our customer wants drives demand and high visitation and creates more opportunities for our retail partners to connect with more customers. Our operating platform is unique because we have a vertically integrated business model and a team of people with capabilities that can design, construct, operate, manage and market our assets.

In striving to achieve Our Purpose and deliver Our Plan, we are guided by our values – our DNA – which underpin the standards we expect of ourselves and of others.

Our DNA is a central part of our approach to business integrity and our Code of Conduct. It is how we put our culture into action.

## Our DNA is expressed as:

**We put our customer first**

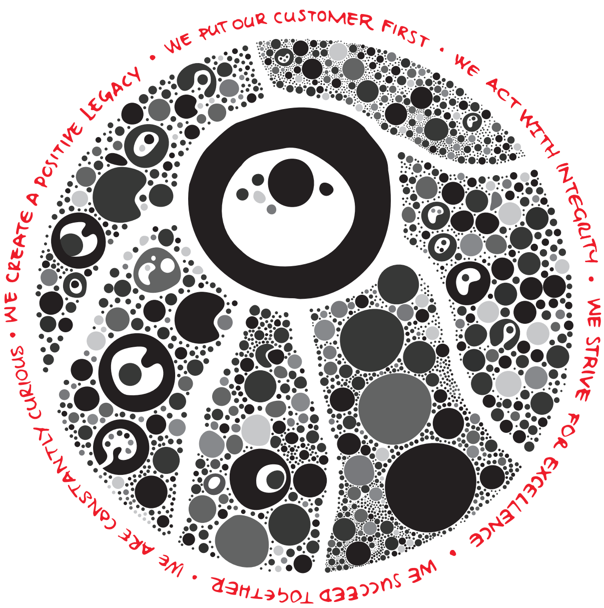
**We act with integrity**

**We strive for excellence**

**We succeed together**

**We are constantly curious**

**We create a positive legacy**



### Code of Conduct

Our Code of Conduct is publicly available on our website and includes a number of important policies that support our approach to corporate governance and guide our culture.

Every employee is required to review and recommit to the Code of Conduct each year. We have a Business Integrity Framework which outlines how our policies and procedures foster a strong ethical culture. It guides the roles and responsibilities of key personnel and teams in ensuring our people are trained and supported by processes to monitor and enforce compliance.

## 1.2 Operating overview

Scentre Group owns and operates an extraordinary platform of 42 Westfield Living Centres with 37 located in Australia and five in New Zealand. Our centres are strategically located in close proximity to where the majority of the population lives. Total assets under management are valued at $49.9 billion.

During 2020, we had more than 450 million customer visits, including an average of 46 million per month during the fourth quarter.

The Group employs 2,427 people across Australia and New Zealand and is organised by teams reflecting our vertically integrated business. These include Customer Experience, Design and Construction, Development and Asset Management and Leasing and Retail Solutions, along with support functions including Analytics, Finance, Human Resources, Technology, Treasury, Risk, Audit and Security, Legal, Compliance and Company Secretariat and Corporate Affairs.

Westfield Living Centres are regarded as the first choice platform for retail and brand partners to connect and interact with customers. A comprehensive overview of our assets is in our 2020 Property Compendium, which is available on the investor section of our website: scentregroup.com/investors/financial-results-and-presentations.

Our approach to financial and capital management is to maintain a long-term focus, to continually improve our earnings, assets and return on equity through economic cycles within a framework of low tolerance for risk.

This long-term focus has been critical to our decision making throughout 2020.

## 1.3 Customers

Delivering what our customers want is at the heart of our strategy and operational initiatives to grow market share.

At the beginning of 2020, our team was actively engaged in supporting the groundswell of community fundraising support for the Australian bushfire emergency.

Through our partnership with the Salvation Army and in addition to our $500,000 cash donation, we activated our Connected Screen Network across our Australian centres as an in-kind donation to scale audience reach for the Salvos bushfire appeal messages.

The Group has remained agile and focused on delivering for our customers throughout the disruption presented by the global COVID-19 pandemic.

From the onset, our team has been at the frontline, remaining focused on delivering for our customers through a period of change and ambiguity as government advice required us to implement and ease restrictions across multiple jurisdictions, at different times.

We regard our Westfield Living Centres as 'social infrastructure'. The pandemic has highlighted how integral our centres are in the daily lives of our customers and the communities we serve – validated by policymakers classifying our centres as 'public transient places' providing access to 'essential services'.

Across our Westfield Living Centre portfolio, we supported government and health authorities by displaying public health advertisements across our Connected Screen Network. In Victoria, we accommodated COVID-19 mobile testing sites in many of our centre car parks and in South Australia and New South Wales, we provided casual retail tenancies to health departments, so they could implement public health engagement activities.

We elevated our health and hygiene standards across our centres, increasing the frequency of cleaning for high touch point areas and introduced COVID-Safe protocols to ensure our customers could continue to feel safe and assured when they visited us.

We continued to listen to our customers through our Westfield iQ research community, where more than 13,400 customers opt-in to provide us regular feedback on our plans and initiatives. Our customers told us that Westfield centres were the place they felt safest when considering a range of indoor public spaces.

At a time when accessing retailers and essential services was difficult, we accelerated connected customer initiatives to make life easier for customers.

Within a two-week period, we trialed Westfield Direct, a contactless Click and Collect service to provide a safe and easy solution for customers to shop from their local centre. Westfield Direct provided our communities access to 590 retailers and up to 14,000 products across a variety of categories.

We also launched our membership platform, Westfield Plus to our Australian Living Centres following a successful launch with New Zealand customers in 2019. So far, we've seen more than 1.2 million customer downloads across our 42 centres with more features and benefits to come in 2021.

Despite a challenging year, we're pleased to report that our customer advocacy as measured by our net promoter score (derived from all customer feedback) was 36, an increase of 1+ pt.

Our focus on the customer is underpinned by our commitment to being a responsible, sustainable business and our broader Community Engagement strategy. Each of our Westfield Living Centres has a Community Plan that enables them to discover, celebrate and contribute to the moments and causes that are most relevant and valued in their local areas.

During 2020 we marked the third successful year of our Westfield Local Heroes community grants and recognition program. The program attracted 1,455 nominations, a 38 per cent increase year-on-year. More than 140,000 public votes from across Australia and New Zealand were cast this year, demonstrating the high levels of community engagement in this program. We have maintained full funding for this program and introduced new categories to ensure it remains as relevant as ever to our communities. In October 2020, 126 community grants were awarded, valued at $1.2 million.

Our Westfield Living Centres host a program of community activations that reflect our communities and align to significant retail events as well as our Diversity and Inclusion strategy. During 2020, we leveraged our Connected Screen Network to ensure key messages of community need relating to the topics of Mental Health (RU OK? Day) and Family and Domestic Violence (White Ribbon Day) were shared when physical community activations were not possible. We also hosted a Westfield Wall of Gratitude at the end of 2020 where community members could post messages of support and display them in centre, partnering with Lifeline in Australia and New Zealand to donate $1 from every message posted.

## 1.4 Retail and Brand Partners

Our Westfield Living Centres are considered places of connection and social engagement and are integral to the daily lives of the communities in which we operate. We describe our assets as 'Living Centres' because they are much more than places for our customers to shop, they are places located in the heart of our communities where our customers frequently gather because the products, services and experiences we offer are highly desirable and meet the needs of their lifestyle. This positioning means we attract leading retailers and brands who value premium locations for their physical store network and the opportunity to efficiently interact with more customers.

Across our portfolio we have 3,600 retail partners representing 12,000 outlets.

Each Westfield Living Centre is different, reflecting the differing needs of it's customers and community.

Our team is focused on ensuring we achieve optimal curation of the products, services and experiences. This is a dynamic process because the needs of our customers are everchanging.

Approximately 30 per cent of our retail partners are small to medium sized businesses (SMEs) and are an integral part of our centres because they offer valuable products and services that our customers want. They provide a point of difference to our customers. During 2020, SMEs have been most severely impacted by the government restrictions required under the pandemic health response.

We recognised the cash flow shock for small retailers would be severe and led the industry bodies as part of our membership of the Shopping Centre Council of Australia to develop a voluntary Code of Conduct (Code) to navigate the period and guide our commercial arrangements. This was subsequently mandated by the Federal Government and then each state and territory legislated it.

As an industry, we have shared the burden and provided more than $2 billion in direct rental relief to our small retail partners, a responsibility no other industry has been asked to bear. Throughout 2020, the states and territories extended the Code, which has meant our financial support will continue until March 2021 in the states of NSW, WA and Victoria.

We prioritised the support of our SME retail partners because we knew it was the right thing to do for their short-term sustainability, as well as the long-term viability of our local offer. Under the Code, we reached agreements with 2,456 of our SME small retail partners.

We also negotiated and reached COVID agreements with larger retail partners who were excluded from the Code due to their access to capital and alternative sources of funding.

In a global pandemic it has been necessary for us to be firm and fair in standing behind the value of our centres and physical stores. This was demonstrated by customer confidence and trust in our ability to deliver essential, COVID-Safe retail experiences.

Demand for space in our Westfield Living Centres is strong with 98.5 per cent of the portfolio leased as at 31 December 2020. Customer visits remain high as outlined in the previous section.

Our Westfield Living Centres remain a central part of our retail and brand partners' business strategies with the pandemic accelerating convergence and the primary role physical store networks play in driving online sales. The economic impact of the pandemic has been uneven across the economy and yet we have continued to see growth and expansion amongst our brand and retail partners. We completed 2,625 lease deals during the year including 848 new leases.

We remain customer obsessed and focused on delivering what the customer wants. We continue to innovate in how Scentre Group provides the most efficient platform for retail and brand partners to connect with the consumer.

## 1.5 People

Our aspiration is to create a workforce reflective of the communities in which we operate and to be the place where talent thrives. We believe that a diverse and engaged workforce contributes to strong business performance and we seek to provide an inclusive and supportive working environment that recognises and celebrates all the ways we are different. Our commitment is to a workplace where everyone is comfortable to "bring their whole self to work".

During 2020, our priority was to ensure our people remained safe, connected and engaged throughout a period that was challenging on multiple fronts.

Our leadership and culture, DNA and existing workplace policies and practices enabled our rapid adoption to new ways of working to ensure business continuity.

It was necessary to make early resourcing and remuneration changes to ensure our business was as resilient as it could be to the economic shocks brought about by COVID restrictions. This included our Board Directors and senior leaders agreeing to take a 20 per cent reduction in fixed remuneration and board fees for a period of three months.

We did not receive any financial support from the Australian or New Zealand governments, including the JobKeeper program.

We supported our peoples' experiences through lockdowns, stand by and remote working with an Engagement Plan. Developed to respond to and guide the sentiment of our people through the pandemic, it included resources to assist both personally and professionally given that many of our people were restricted to home for a period, juggling life and work in one place.

From mid-May, we started a gradual and safe return to our usual workplaces with COVID-Safe protocols in place, led by our CEO.

We had no employee COVID cases during the reporting period.

### 1.5.1 Diversity and Inclusion

Our approach to diversity and inclusion includes our Board-endorsed Diversity and Inclusion (D&I) Policy, an executive team endorsed D&I strategy and an active D&I Council driven by employee led working groups who assist in making recommendations and implementing initiatives.

COVID-19 caused us to prioritise our D&I focus areas for 2020, with mental health and wellbeing and domestic and family violence being elevated to the key focus areas.

We continued to deliver against other initiatives and our D&I Council, chaired by our Director of Design and Construction, met six times during the year to ensure our progress was on target against our strategy.

During the year:

> We maintained a connected and engaged workforce by delivering a tailored engagement program through ever-changing stages of pandemic restrictions, alert levels and recovery. Whilst our next company-wide engagement survey is scheduled for the first half 2021, we know our high performing level of engagement (85 per cent) from last measure in 2019 has been retained because of our key talent retention; low levels of voluntary turnover; high candidate net promoter score (NPS) and investment in leadership initiatives and exit data which confirms more than 96 per cent would recommend Scentre Group as an employer.

*Gender equality*

> Pay parity is embedded in our business processes, and we conducted a pay parity assessment and completed external benchmarking of roles to ensure there is no pay equity gaps for like roles by gender.

> We refreshed our people planning processes with gender targets established where required.

> We redesigned our networking Connect Program to include a listening strategy (Connected Leadership) on gender related topics with both women and men leading conversations to identify and resolve barriers to gender equality in the workplace.

> We continued to work towards our goal of 40:40:20 representation of women at all levels of management. As at 31 December 2020, women represented 43 per cent of all people managers, 53 per cent of middle managers and 27 per cent at senior executive level (General Manager and above). 47 per cent of permanent hires were women and 59 per cent of promotions were women.

> Across our workforce at 31 December 2020, the representation of men and women was 41 per cent and 59 per cent of all employees respectively. We have been included in the Bloomberg Gender Equality Index (GEI) for two consecutive years, 2020 and 2021. In 2021 we were one of 380 companies globally and one of ten Australian companies to be included in the index with a score improvement from 77 per cent to 79 per cent. Being included in the index demonstrates our multi-disciplined approach to addressing gender equity encompassing pay equity, recruitment practices and culture.

> We were recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency for the third consecutive year.

*Multicultural capability*

> We celebrated Harmony Day in March by sharing personal stories from team members with culturally diverse backgrounds to build awareness and understanding.

> We launched our first Cultural Competence online training module with 1,112 people completing the training by year end. A second module will be released in 2021.

*Reconciliation Action Plan (RAP)*

> We continue to embed our Aboriginal and Torres Strait Islander procurement strategy in order to exceed the targeted spend of $1.0 million on Supply Nation accredited businesses.

> We have continued our commitment to increasing the representation of Aboriginal and Torres Strait Islanders in our organisation. We have established relationships with four specialist diversity recruiters to attract more Indigenous candidates and ensure that all roles advertised encourage Aboriginal and Torres Strait Islanders to apply. During the year, six Indigenous Australians completed internships with us through our Career Tracker program. We continued with our traineeships program for Indigenous high school students. We have a target of 15 students completing the program annually.

*LGBTI+*

> We achieved Silver status at the Australian Workplace Equality Index Awards, recognising the work our people have done to keep improving our policies and approach to best practice.

> We celebrated Wear it Purple Day in August under the theme of “We are the change” and continued to refresh our training and promote completion of the LGBTI+ online training module. We also refreshed our Allies group which represents 11.5 per cent of our employees.

*Mental health and wellness*

> We launched the “Mind Your Step” Challenge which resulted in strong internal engagement – 511 people and 111 teams across Australia and New Zealand participated in a virtual journey around 12 mental health learning modules.

> We celebrated RU OK? Day with a virtual event that set up the facilitation of smaller locally based groups to openly engage in discussion around the theme “There is more to say after RU OK?”.

*Domestic and family violence*

> We continued to recognise White Ribbon Day in Australia and New Zealand during November. We raised awareness by sharing personal stories from our people related to domestic and family violence on our Intranet.

*All Abilities*

> We continue to modify our work practices and physical work environment to enable people with disabilities to have the equipment and tools they need to perform their roles. We are working with Job Access, an Australian government body, and Workbridge in New Zealand who provide funding for workplace adjustments, to help us fund works needed to adapt workspaces.

### 1.5.2 Health and Safety

The safety and wellbeing of our people is of paramount importance to us. Our approach to safety is underpinned by our People Protecting People culture, a people first mindset now recognised as a way of working.

Our response to COVID-19 reflected this, and we ensured our people remained safe, connected and engaged throughout this period. As our team adapted to new ways of working and delivering business continuity, we remained engaged with our workforce through frequent communications and check ins. This was led by our CEO and supported by team managers to ensure our people’s health and wellbeing, and connection to the business remained strong.

We launched a range of initiatives and support tools to help our people and their families through 2020. These included providing a dedicated mental health and wellbeing page on our Intranet, increased access to health and wellbeing assistance, targeted education sessions with teams under pressure and requiring all leaders to complete online domestic and family violence training.

In May we mobilised COVID-Safe and Safe Work protocols in our workplaces, which saw the safe and gradual return of our people back to our Support Office. Our centre teams have remained at the frontline during this period, delivering for our customers and retail partners.

Our CEO maintained his leadership engagement and support for the Champions of Change Coalition, including its 2020 report on sexual harassment: “Disrupting The System – Preventing and responding to sexual harassment in the workplace”. His internal and external advocacy included that the topic be considered as a standing health and safety agenda item, reinforcing that our company has a zero tolerance policy for such behaviour.

# 1.6 Investors

## 1.6.1 Financial performance and position

Very early into the pandemic, we focused on obtaining additional funding to ensure the Group would be in a strong financial position to see us through and beyond the volatile period.

We did not receive any financial support from the Australian or New Zealand government, including the JobKeeper program.

We paused our security buyback program and announced we would not be paying an interim distribution at the half year.

Operating profit to 31 December 2020 was $763.4 million, (14.71 cents per security) and FFO was $766.1 million, (14.76 cents per security).

This compares to an operating profit of $1,274.7 million and FFO of $1,331.9 million in the comparative period. Both Operating Profit and FFO were impacted during the current financial year by COVID-19 with an Expected Credit Charge (ECC) of $303.9 million being recorded for the period. FFO was also impacted by the reduction in project income after tax of $54.5 million.

The statutory result for the Financial Year was a loss of $3,731.8 million. This includes an unrealised non-cash reduction in property valuations of $4,254.2 million.

This compares to a statutory profit of $1,179.5 million including an unrealised non-cash reduction in property valuations of $151.9 million in the comparative period.

During the year the Group completed 2,625 leasing deals with total spreads reducing by 13.1%. In the previous corresponding period the Group completed 2,566 leasing deals with a reduction in spreads of 6.4%.

The average specialty lease incentives reduced from 7.2% to 5.2% in December 2020.

The portfolio was 98.5% leased at 31 December 2020 compared to 99.3% at 31 December 2019.

In 2020, the Group achieved gross operating cash inflow of $2,356.9 million. Net operating cash flow surplus (after interest, overheads and tax) was $770.9 million which grew by 95.7% in the second half of the year. The Group collected $2,058.8 million in gross rent collections, including $641.4 million during Q4 2020, equivalent to 100% of gross billings.

Net assets has decreased from $23,547.9 million at 31 December 2019 to $18,994.4 million at 31 December 2020. The result includes a decrease in property revaluation of $4,254.2 million and a buy back of securities $174.9 million during the period.

**Capital management**

Our capital management actions were focused on strengthening our financial position and preserving securityholder value for the long-term.

During the Financial Year, the Group executed new and extended funding of $10.1 billion, including $3.6 billion of bank facilities, $2.4 billion of long term bonds, and issued $4.1 billion of subordinated notes, further diversifying the Group's sources of capital and strengthening the Group's credit metrics and protecting securityholder value. The Group now has available liquidity of $6.9 billion, sufficient to cover all debt maturities to early 2024.

Interest cover for the Financial Year was 3.1 times and balance sheet gearing at 31 December 2020 was 27.7%

The Group maintains "A" grade credit ratings by S&P, Fitch and Moody's.

## FFO and distribution [i] [ii]

| | FY20 $million | FY19 $million |
|---|---|---|
| Property revenue [iii] | **2,274.6** | 2,455.3 |
| Property expenses | **(504.5)** | (529.8) |
| Net operating income | **1,770.1** | 1,925.5 |
| Management income [iv] | **41.0** | 48.7 |
| **Income** | **1,811.1** | 1,974.2 |
| Overheads | **(77.2)** | (88.1) |
| Adjust: Straightlining of rent | **(12.3)** | (12.7) |
| **EBIT – Pre Expected credit charge relating to COVID-19** | **1,721.6** | 1,873.4 |
| Expected credit charge relating to COVID-19 | **(303.9)** | – |
| **EBIT** | **1,417.7** | 1,873.4 |
| Net interest (excluding subordinated notes coupon) [v] | **(532.1)** | (510.0) |
| Tax | **(35.7)** | (44.2) |
| Minority interest [vi] | **(31.0)** | (44.5) |
| Subordinated notes coupon | **(55.5)** | – |
| **Operating profit** | **763.4** | 1,274.7 |
| Project income [vii] | **3.7** | 80.9 |
| Tax on project income | **(1.0)** | (23.7) |
| **Project income after tax** | **2.7** | 57.2 |
| **FFO** | **766.1** | 1,331.9 |
| Retained earnings | **(403.2)** | (141.5) |
| **Distribution** | **362.9** | 1,190.4 |

(i) The Group's income and expenses have been prepared on a proportionate basis. The proportionate basis presents the net income from equity accounted entities on a gross basis.

(ii) The Group's measure of FFO is based upon the National Association of Real Estate Investment Trusts' (NAREIT, a US industry body) definition, adjusted to reflect the Group's profit after tax and non controlling interests reported in accordance with the Australian Accounting Standards and International Financial Reporting Standards and excludes straightlining of rent. FFO for the year ended 31 December 2019 has been restated to exclude straightlining of rent.

In calculating the Group's FFO, adjustments to profit/(loss) after tax are presented below.

| | Note in Financial Statements | FY20 $million | FY19 $million |
|---|---|---|---|
| **Profit/(loss) after tax attributable to members of Scentre Group** | | **(3,731.8)** | 1,179.5 |
| Adjusted for: | | | |
| – Property revaluations | 2(v) | **4,254.2** | 151.9 |
| – Amortisation of tenant allowances | 2(iii) | **68.6** | 77.1 |
| – Straightlining of rent | 2(iii) | **(12.3)** | (12.7) |
| – Net fair value gain and associated credit risk on currency derivatives that do not qualify for hedge accounting | 12 | **(62.4)** | (15.4) |
| – Net fair value loss on interest rate hedges that do not qualify for hedge accounting | 13 | **369.3** | 84.3 |
| – Net modification loss/(gain) on refinanced borrowing facilities | 13 | **8.5** | (2.8) |
| – Net fair value gain on other financial liabilities | 13 | **(76.3)** | (7.9) |
| – Gain in respect of capital transactions | 2(v) | **–** | (120.6) |
| – Deferred tax expense/(benefit) | 2(v) | **(4.4)** | 0.4 |
| – FFO adjustments attributable to external non controlling interests | | **(47.3)** | (1.9) |
| **FFO** | | **766.1** | 1,331.9 |

(iii) Property revenue of $2,206.0 million (Note 2(iii)) plus amortisation of tenant allowances of $68.6 million (Note 2(iii)).

(iv) Property management income of $51.2 million (Note 2(v)) less property management costs of $10.2 million (Note 2(v)).

(v) Financing costs of $919.4 million (Note 2(v)) offset by interest income of $6.4 million (Note 2(v)), less coupon on subordinated notes of $55.5 million (Note 13), interest expense on other financial liabilities of $23.9 million (Note 13), net fair value gain on other financial liabilities of $76.3 million (Note 13), net fair value loss on interest rate hedges that do not qualify for hedge accounting of $369.3 million (Note 13) and net modification loss on refinanced borrowing facilities of $8.5 million (Note 13).

(vi) Loss after tax attributable to external non controlling interest of $40.2 million (Note 2(v)) less non-FFO adjustments of $47.3 million and interest expense on other financial liabilities of $23.9 million (Note 13).

(vii) Property development and construction revenue of $127.9 million (Note 2(v)) less property development and construction costs of $124.2 million (Note 2(v)).

| Funding | 31 Dec 2020 |
|---|---|
| Borrowings [i] | $9.3 billion |
| Gearing | 27.7% |
| Weighted average debt maturity | 4.6 years |
| Subordinated notes | $4.1 billion |
| Liquidity | $6.9 billion |
| Weighted average interest rate [ii] | 4.4% |
| Interest rate exposure hedged percentage | 71% |
| Interest rate exposure average hedging during 2020 | 80% |
| **Investment grade credit ratings** | |
| Standard & Poor's | A (Negative) |
| Fitch | A (Negative) |
| Moody's | A2 (Negative) |

[i] Adjusted for cash, short term deposits at bank and net currency derivatives

[ii] Reflects net debt and subordinated notes

### 1.6.2 Development activity

One of our competitive advantages is our integrated development, design and construction platform. Our objective is to generate incremental property income and to create value though our development pipeline.

In 2020, we commenced construction on Cbus Property's residential and commercial tower on the site of the former DJs menswear store. As the appointed Design and Construction contractor, the development will showcase our diverse design and construction capabilities and remain a priority for our developments team in 2021.

During the year we also completed projects that were already underway, including:

> the $50 million redevelopment of Westfield Carindale which included the opening of its new Kmart store

> the $30 million rooftop dining precinct at Westfield Doncaster. The new modern-village style indoor/outdoor precinct features 14 restaurants and is fast becoming a convenient social destination in Melbourne's East

> the development of the Harvey Norman tenancy at Westfield Hornsby

> the development of the new format, two-level Myer store at Westfield Belconnen.

Strategic developments will continue to be a driver of growth for the Group. Pre-development work on future developments remains underway.

### 1.6.3 Dividends/distributions

On 28 February 2020 a distribution of 11.30 cents per security was paid to members in respect of the 6-month period to 31 December 2019. This comprised an aggregate distribution from Scentre Group Trust 1 and Scentre Group Trust 2.

As announced to the ASX on 11 May 2020, Scentre Group determined not to pay an interim distribution for the half year period ended 30 June 2020.

The total amount to be distributed to members for the Financial Year and in respect of the 6-month period to 31 December 2020 is 7.00 cents per Scentre Group security. This amount comprises an aggregate distribution of Scentre Group Trust 1 and Scentre Group Trust 2 and will be paid on 26 February 2021.

The breakdown of the component parts of the distribution area set out in Note 9 of the Financial statements and in summary form on page 112 of this Annual Financial Report.

### 1.6.4 FY21 guidance and outlook

Whilst uncertainty remains in 2021, subject to no material change in conditions, the Group expects to distribute, at least, 14.00 cents per security for 2021. The distribution is expected to continue to grow in future years.

The Group plans to retain earnings to cover operating and leasing capital expenditure, fund strategic initiatives and reduce net debt.

## 1.7 Matters subsequent to the end of the year

No event has occurred since the end of the year which would significantly affect the operations of the Group.

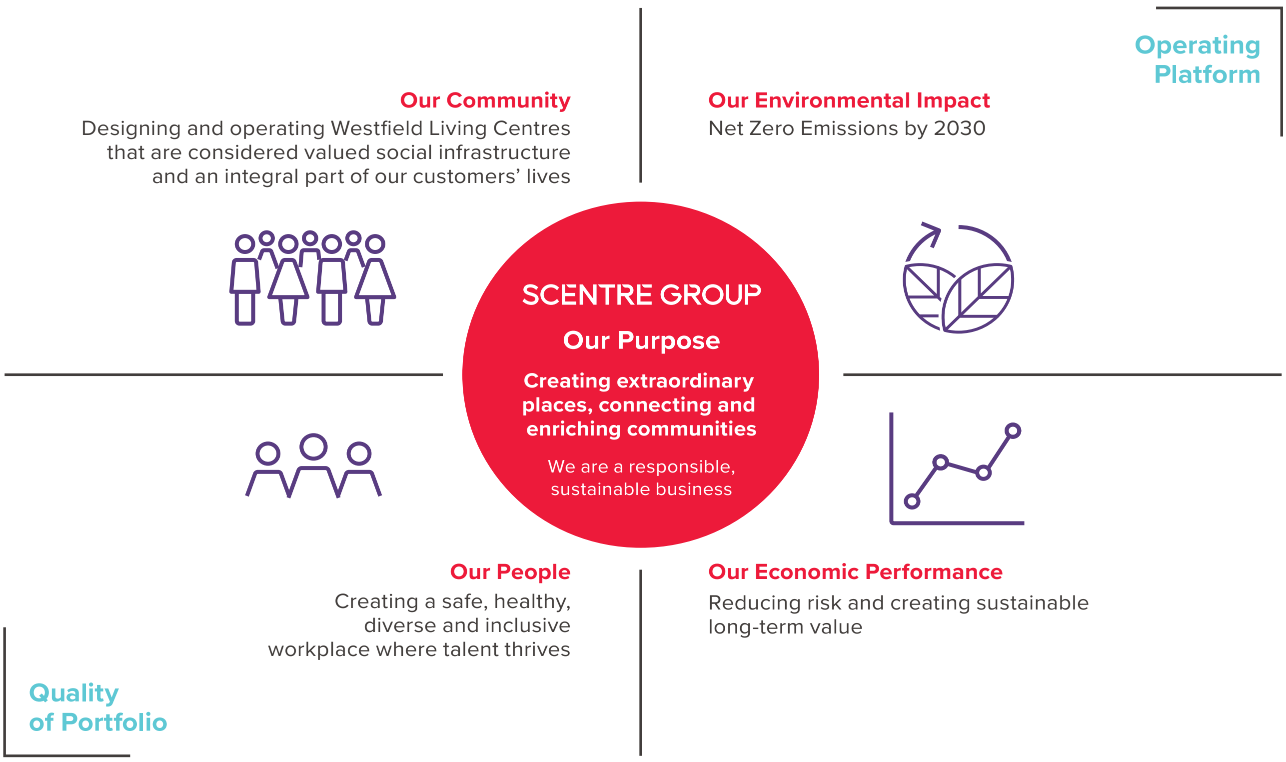
# 2. Responsible Business

We aspire to connect and enrich the communities we serve, including our people, investors, retail partners, customers, suppliers and those who live and work in the trade areas of our Westfield Living Centres.

## 2.1 Our Sustainable Business Framework

We established our Sustainable Business Framework in 2015 and its four pillars have remained relevant as our business evolves – our community, our people, our environmental impact and our economic performance.

During the year, we were steadfast in leading our business with integrity and a responsible business mindset. It helped us to stay focused on the things that matter most to our business, consistent with this framework.



## 2.2 Responsible Business Disclosure and Reporting

We will release our 2020 Responsible Business Report and Performance Data Pack on 31 March 2021, as well as our first Modern Slavery Statement.

Aspects of our performance against the community, people and economic performance pillar of our sustainable business framework are addressed throughout this report.

Our environmental impact is outlined in section 2.3 below. Our climate-related disclosures and response to the Taskforce for Climate Related Financial Disclosures are addressed below.

Previous Sustainability Reports, recent case studies and stories from across our business relating to our responsible business initiatives are available on our website: scentregroup.com/about-us/sustainability.

### 2.2.1 The Taskforce for Climate Related Financial Disclosures (TCFD)

In 2020 we publicly supported the TCFD as part of our commitment to enhancing our disclosures and improving our performance against our primary environmental target of Net Zero Emissions by 2030 across our wholly-owned portfolio.

Below is a summary of relevant references across this report.

| TCFD Guidance | Section Reference | Sub-heading | Page Reference |
|---|---|---|---|
| **Governance** | Joint Chairman and CEO Letter to Securityholders | | 5 |
| Our governance around climate-related risks and opportunities | Directors' Report – Risk | Risk Categories | 20,22 |
| | Directors' Report – Risk | Managing Climate Related Risk | 23,24 |
| | Remuneration Report | | 35 |
| **Strategy** | Our Purpose, Our Plan, Our DNA, Responsible Business | | 3 |
| The actual and potential impacts of climate-related risks and opportunities on our business, strategy, and financial planning where such information is material | Joint Chairman and CEO Letter to Securityholders | | 5 |
| | Directors' Report | Responsible Business | 15 |
| | Directors' Report – Risk | Managing Climate Related Risk | 23,24 |
| | Remuneration Report | 2020 Highlights | 35 |
| **Risk management** | Directors' Report – Risk | Managing Climate-Related Risk | 23,24 |
| How we identify, assess, and manage climate-related risks | Directors' Report – Risk | Climate Risk Disclosure | 23,24 |
| | Directors' Report – Risk | Climate Scenario Analysis | 24 |
| | Directors' Report – Risk | Risk Categories (Sustainability Risks/ Environment) | 22 |
| **Metrics and Targets** | Directors' Report – Risk | Climate Risk and Opportunities | 24 |
| The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material | Directors' Report | Risk Categories (Sustainability Risks/ Environment) | 22 |
| | Remuneration Report | FY20 STAR outcomes | 42,43 |

## 2.3 Our Environmental Impact

Scentre Group owns, designs, develops, constructs and operates a portfolio of 42 Westfield Living Centres and commercial assets across Australia and New Zealand. Our environmental impacts and considerations span the asset lifecycle from concept design, development and construction to ongoing operations and management.

We are committed to ensuring we have efficient and resilient assets in line with our objective to operate as a responsible, sustainable business, as well as providing long term-value to our investors and comfort and safety to our retail partners and customers.

In February 2020 we announced a net zero Scope 1 and Scope 2 Greenhouse Gas emissions target by 2030 across our wholly owned portfolio. While our net zero commitment only applies to wholly owned assets, we are engaging with our joint venture partners to agree pathways to net zero emissions on our jointly owned assets. In the short to medium term our strategy focuses on optimising our asset operational efficiency and realising renewable energy opportunities and has been informed by our climate related scenario analysis for transitional and physical risks.

In Q2 2020, we achieved our 2025 portfolio emissions intensity reduction target, with a greater than 35 per cent reduction in energy emissions intensity from 2009 without including any reduction associated with the impacts of COVID-19. This is five years ahead of our 2025 target. In 2021 we will evaluate new emissions intensity reduction targets to support and align with our Net Zero commitment.

Highlights from 2020 include:

- Increased our average portfolio NABERS rating to 4.4 including reductions in electricity from COVID related vacancy.
- Decreased our energy use approximately 10 per cent year-on-year.
- Implemented Phase 2 of the Next Gen Building Management and Energy Analytics Program targeting a reduction in energy use of ~6,800MWh per annum.
- Undertook LED upgrades across the majority of our Victorian Westfield Living Centres, delivering additional energy savings during partial trading restrictions across our operations.
- Our 6 MW of solar capacity continued to generate ~9,000MWh per annum and in 2021 we are updating our solar deployment roadmap out to 2030.
- Improved our performance on key dimensions of our priority investor surveys including the Global Real Estate Sustainability Benchmark (GRESB) and CDP.

  GRESB – 'A' for public disclosure, number one in Australian retail (global average of 'C'). Sector Leader, Global Development listed.

  CDP – 'A-' which elevates the Group to the Leadership band (compared with global average of C)

### 2.3.1 Operational Emissions

Our electricity usage is the most significant contributor to our total greenhouse gas emissions and why we focus on improving energy efficiency. Purchased energy is the single largest source of emissions for the Group, representing ~93 per cent of Scope 1 and Scope 2 emissions. Approximately 65 per cent of all household purchased energy used in our Westfield Living Centres is attributable to heating, ventilation and air-conditioning (HVAC).

### 2.3.2 Environmental regulations

Environmental laws and regulations in force in the various jurisdictions in which we operate are applicable to areas of our operations and in particular to our development, construction and shopping centre management activities. We have in place procedures to identify and comply with such requirements including complying with the conditions of relevant authority consents and approvals and obtaining any necessary licences.

Our compliance procedures are regularly reviewed and audited and their application closely monitored and our approach to sustainability risks is outlined in section 4.2 below.

# 3. Corporate Governance Statement

At Scentre Group, governance, ethical business practices and high standards of personal conduct are fundamental to the way we work as a responsible, sustainable business.

Scentre Group, through its Board and executives, recognises the need to establish and maintain corporate governance policies and practices which reflect the regulatory environment and the expectations of members and others who deal with the Group.

Our governance framework supports our business in delivering our strategy and Our Purpose – creating extraordinary places, connecting and enriching communities.

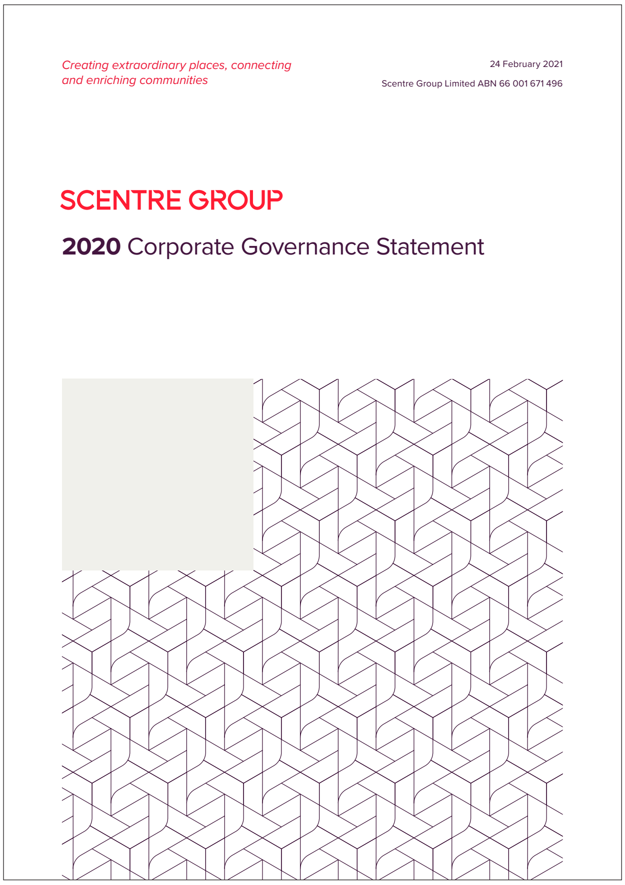
We regularly review our governance policies and practices in light of current and emerging corporate governance practices, regulatory requirements, market practice and community expectations.

Scentre Group's 2020 Corporate Governance Statement is available in the corporate governance section on our website: scentregroup.com/about-us/corporate-governance. During 2020, the Group's corporate governance framework was consistent with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (4th edition published in February 2019).

In addition to our Board and Committee charters, the key governance policies which support the framework set out in our corporate governance statement are:

> Anti-Fraud, Bribery and Corruption Policy
> Code of Conduct – Acting with Integrity
> Continuous Disclosure and Communication Policy
> Diversity and Inclusion Policy
> Environmental Policy
> Human Rights Policy
> Security Trading Policy
> Supplier Code of Conduct
> Whistleblower Protection Policy

These, and other governance information, can be found in the corporate governance section on our website: www.scentregroup.com/about-us/corporate-governance.



# 4. Risk

At the core of our approach to risk management is the establishment of a strong risk culture, where behavioural expectations are set by the Board and Executive Committee and actively promoted and role-modelled throughout our business.

## 4.1 Risk Management Framework

Scentre Group's approach is to:

> proactively identify and assess both financial and non-financial risk

> make informed decisions on strategic and risk issues

> ensure sound risk management and internal control systems are in place to regularly assess our performance to ensure objectives are being met

> review, as part of our regular business processes, the operation and adequacy of our risk management and internal controls systems

> make relevant disclosures on risks as required by regulators and to inform our securityholders, other investors and stakeholders.

The Board sets the overall risk appetite for the Group and has approved strategies, policies and procedures to ensure that key risks are identified, monitored and managed. The Board is assisted in its oversight of risk by the Audit and Risk Committee (ARC), which meets five times a year. The Board and ARC are supported by the Executive Risk Management Committee, the Executive Committee and a dedicated Risk function, to promote understanding and management of risk across all teams within our business.

Our Enterprise Risk Management (ERM) Policy and ERM Framework integrate with our day-to-day business processes. Risk management accountability is a key requirement for our business managers and leaders. The ERM Policy and Framework defines risk oversight responsibilities for the Board and management.

The Group's risk management framework is based around three lines of defence and clear ownership of risk at an operational level where front line business managers are responsible for the identification, measurement, control and mitigation of all material risks.

Risk awareness and the balancing of risks and opportunities is a core aspect of delivering our strategic objectives. Risk, compliance and internal audit teams are responsible for assessing, monitoring and reporting on operational and strategic risks. Oversight of material risks by the Executive Committee and the ARC ensures the business operates within the risk appetite and strategy of the Group as set by the Board.


## 4.2 Risk Categories

Scentre Group uses the following categories to classify risks:

> Governance risks are the risks associated with appropriate oversight and 'checks and balances' within our organisation, which also encompasses regulatory compliance and management of risks.

> Financial risks are the risks which may impact our ability to meet earnings/distribution or other financial targets. This category also encompasses treasury risks, such as liquidity, interest rates and funding sources.

> External risks include market and economic risks and other external factors which can impact our ability to deliver our strategy, including changes in the regulatory environment.

> Strategic risks are the risks of not meeting strategic objectives and/or the inadequate selection of strategic objectives and priorities, including the risks involved in making an acquisition or undertaking a development opportunity in existing or new markets and the risk of achieving financial returns not within the financial parameters identified in their forecast.

> Operational risks are the risks involved in the design, development, management and operation of retail shopping centres, we face operational risks which have the potential to affect the achievement of our targeted financial outcomes. These risks include People Risk, WH&S, Cyber and Technology risks.

> Sustainability risks are the risks associated with the economic impact of climate change, our supply chain, community engagement and how our culture and operations support our workforce.

The Group's Risk Appetite Statement has been approved by the Board and includes guidance for management on our appetite and tolerance for each material risk. Key controls for each material risk are documented and the effectiveness of the controls monitored by the risk owner (in each case a member of the Executive Committee), the Risk function, the Executive Risk Management Committee and the ARC. Our risk governance program is supported by executive working groups (Life Safety & Security, Cyber/Privacy/Data Governance, Business Integrity and Responsible Business) which provide additional controls and risk oversight.

### 4.2.1 Risk Exposures

A number of important risks and how we manage and monitor them to mitigate their impact are outlined below. There may be other risks and uncertainties which we do not currently consider material, or of which we are currently unaware, which may also affect the Group. The nature and potential impact of these risks may change over time.

| Risk | How we monitor, manage and mitigate risk |
| --- | --- |
| **Governance Risks** | |
| Our business is subject to a number of corporate governance and compliance obligations | We have a strong risk and compliance culture supported by Board and Committee leadership and oversight, leadership by the senior executive team and established policies and frameworks, risk and compliance monitoring, training and reporting. |
| **Financial Risks** | |
| | As the real estate investment and development industry is highly capital intensive, our ability to access debt funding at an appropriate price, and to repay principal and interest on our debt, is a key risk. We manage our exposure through: established treasury risk management policies; diverse funding sources with staggered debt maturities and appropriate levels of interest rate hedging. Further information relating to financial risk management is detailed in Note 23 to the Financial Statements. |
| **External Risks** | |
| Our financial results may be affected by an economic downturn that creates challenging operating conditions | We focus on the geographic diversity of our Westfield Living Centres, creating high quality assets and actively managing those assets to maximise long term revenue, delivering a strong balance sheet with gearing within our stated target and ensuring access to capital/debt funding sources. Our assets are located in major cities or urban areas supported by population growth. |
| Regulatory changes may impact our business model which is based on the long-term ownership of assets | Whilst Australia and New Zealand provide politically stable environments, our operations are impacted by evolving government regulations, including government responses to pandemics, and international standards. To mitigate this risk, we engage with industry and government on policy areas and reform. |
| COVID-19 pandemic<br>Our operations have been impacted by the COVID-19 pandemic and from government imposed restrictions on businesses in response to managing the pandemic. | Our focus was on the health and safety of our people, customers, retail partners and communities. We implemented the highest standards of health and safety across all of our 42 Westfield Living Centres and our support offices. We increased the use of digital technologies to enable our people to stay engaged and connected to the business. We launched several initiatives and support tools to help our people and their families. These included access to health and wellbeing assistance and targeted education and training sessions focused on mental health and resilience. Our capital management actions were focused on strengthening our financial position and preserving value for the long term. We acted quickly to secure additional and diversified funding ensuring the Group's strong financial position. To conserve cash for our business in an uncertain period, we also implemented cost reduction measures. |
| **Strategic Risks** | |
| Property Ownership Risks | As a long-term owner of property, with a significant portion of our earnings derived from retail rental income, we are exposed to changes in consumer sentiment or shopping preferences or other external events. In addition, anchor retailers occupy a significant portion of the total GLA of our centres. Our strategy is to focus on creating and owning leading retail destinations across Australia and New Zealand, investing to improve the quality of the portfolio and adapting to the next generation of retail. The intensive management of our portfolio is aimed at driving the sales productivity of retail partners and to provide superior experiences to our customers. We explore new income and investment opportunities including expanding media and advertising revenues, digital, car parking and infrastructure services. We view the emergence of digital technology as an important element in better connecting the retailer and our centres with our customers. |
| Property Management and Development Risks | As we derive a significant portion of our income from property management activities, our financial performance will depend in part on the continued redevelopment and growth of our centres. To mitigate this risk, we have disciplined decision-making processes to take advantage of opportunities to deliver appropriate risk related returns. With development capabilities that include all elements of development, design, construction and project leasing, we have a pipeline of redevelopment and expansion opportunities within our existing portfolio and we remain focused on creating the right product in the right location. |

| Risk | How we monitor, manage and mitigate risk |
|---|---|
| **Operational Risks** | |
| Workplace Health and Safety Risks | A workplace health and safety incident may have a long-term impact on our employees, contractors or broader community. To mitigate this risk, we have a strong workplace health and safety culture, with comprehensive programs overseen by dedicated risk and security personnel. |
| Security and Emergency Management Risks | Unexpected catastrophes could occur that place customers, employees and contractors in physical danger. In seeking to exceed the community's expectations we engage with government agencies and specialists to address known security and operational concerns. We also have dedicated risk and security personnel and embedded safety by design programs, and we have security response plans for each of our centres. |
| IT Systems, Data, Cyber and Business Continuity | There is a risk that we are subject to a cyber-attack or privacy breach, fail to comply with regulatory obligations or suffer a failure or outage of a critical business system. To mitigate this risk we have standards, policies and systems to address cyber and privacy associated risks. We invest in appropriate cyber security and disaster recovery systems and personnel. We implement information security and cyber security training across our business and we maintain an effective compliance program which includes periodic external audits of our cyber security program. We require our core platforms to meet international security standards such as ISO 27001. We also have disaster recovery and business continuity plans that are reviewed and tested annually and we maintain a cyber insurance program. |
| Supply Chain Risk | As part of being a responsible, sustainable business we have been assessing modern slavery risks within our supply chain to identify and mitigate the exposure to potential risk and meet the requirements of the Commonwealth Modern Slavery Act 2018.<br><br>We operate under the SCCA Code of Conduct for Fair Service Provisions, are a signatory to the Australian Supplier Payment Code and require our suppliers to abide by our Supplier Code of Conduct and Human Rights Policy.<br><br>Our approach to addressing the risk of modern slavery forms part of our governance and risk culture. In 2020, we refreshed our focus on the steps we take to address the risk of modern slavery through the enhancement of our supplier management and engagement processes.<br><br>Our first Modern Slavery Statement will be released at the same time as our Responsible Business Report on 31 March 2021. |
| **Sustainability Risks** | |
| Environment | As a long-term owner of property, we regularly review the potential for impact on our portfolio from climate change.<br><br>The risk is that our portfolio is exposed to extreme weather conditions, changing price and/or availability of utility services and that our portfolio may need to adapt to changing regulatory requirements associated with climate change.<br><br>In managing this risk we have committed to Net Zero Scope 1 and 2 Emissions by 2030 with our focus on:<br>> reducing the cost volatility of utility services through investing in programs to reduce energy, water and waste;<br>> expanding our use of alternate energy sources;<br>> reducing carbon emissions intensity;<br>> enhancing the resilience of our assets to potential business interruptions associated with climate change; and<br>> partnering with key stakeholders to understand future financial impacts associated with climate change. More information on how we manage climate-related risk is in section 5.2.<br><br>We monitor and manage the financial risks of climate risk through governance and review processes that are integrated throughout our business. This includes our Executive Committee, Executive Risk Management Committee, Responsible Business Group (RBG), senior leaders and employees working directly in facilities management. |

| Risk | How we monitor, manage and mitigate risk |
|---|---|
| People and Culture | There is a risk that we are unable to attract and retain the talent required to execute our strategies. We recognise the following principles as key contributors to attracting and retaining talent:<br>> creating a workforce that is reflective of the communities in which we operate;<br>> recognising that diversity in the workforce is a key contributor to the success of our business;<br>> creating an inclusive culture that supports employees at all stages of career development and encourages everyone to succeed to their best ability.<br>We have a number of workplace initiatives to support these principles. |
| Community | We are exposed to changes in consumer sentiment or shopping preferences. Our communities are at the heart of Our Purpose and community engagement is also fundamental to our success as a responsible and sustainable business.<br>Our community engagement strategy provides the framework, tools and programs for our teams to work with their communities. This strategy is underpinned by our commitment to create places that are inclusive and welcoming, and which our communities are proud to call their own.<br>Each centre has a Community Plan to engage and partner with their communities to discover, celebrate and contribute to moments that are relevant and valued. |

## 4.3 Managing Climate-Related Risk

Scentre Group has a low appetite for financial risks, including those which may arise from climate change. Climate related risks including economic, environmental, social and corporate governance risks are all assessed using our ERM Framework and are reflected in team risk profiles across the business. Any material risks are reflected in the overarching Corporate Risk profile. More details on the risk management process at Scentre Group are outlined above.

Our time horizons for assessing risks are aligned to financial budget planning cycles which are short-term (1 year), medium term capital and maintenance planning (1-5 years) and whole of asset lifecycle (5-30 years plus – long term).

The economic impact of climate change is considered a material risk for Scentre Group and is currently reflected on the Corporate Risk Profile with a low residual risk rating.

In 2019 the RBG was established to provide operational management and oversight of the Group's material sustainability risks (including environmental and climate risk) and delivery of key initiatives. The executive sponsor of the RBG is the CFO. The activities of the RBG are reported to the Executive Risk Management Committee, which assists and supports the Board and the ARC in oversight of the Group's systems of risk management and internal controls.

Key controls which have been implemented to manage this risk include:

> Publicly communicate our strategy and commitments to Environmental and Sustainability topics through this report and commitments to the Task Force on Climate-related Financial Disclosures (TCFD) and The Global Real Estate and Sustainability Benchmark (GRESB).

> Allocation of capital funding towards upgrades over a 10-year horizon and incorporation of 2030 Net Zero Emissions Targets into the Strategic Asset Plans for each Westfield Living Centre. Incorporation of environmental and sustainability requirements into development feasibility reports for Executive Committee and Board Approval.

> Close monitoring and reporting on publicly stated environmental targets by the RBG with any significant overdue actions or changes in priorities reported to the Executive Risk Management Committee.

> Monitoring of key risks, controls and associated reporting by the Executive Risk Management Committee with escalation and reporting to the ARC as required. An overview of the process for managing the top corporate risks is provided to the ARC at least annually.

> Ongoing monitoring of compliance with regulatory obligations including coverage through Internal Audits.

> Ongoing monitoring of regulatory and market changes which may negatively impact the Group.

The Corporate Risk Profile is reviewed and updated at minimum annually when risks, associated controls and any treatment plans are re-assessed. Climate risk scenario analysis is also completed to inform the overall risk assessment.

### 4.3.1 Climate Risk Disclosure

We acknowledge the TCFD recommendations represent an important step towards establishing a widely accepted framework for climate-related financial risk disclosure. In 2020 we pledged our public support to align our climate related financial disclosure with these recommendations.

We continue to enhance and further align our annual disclosures to these recommendations in this year's reporting suite. In early 2021 we developed a short-term road map to address gaps between current reporting and the TCFD recommended disclosures. This roadmap and next steps will be included in our 2020 Responsible Business Report.

Since the Group was established in 2014, we have consistently disclosed our performance in the CDP environmental impact survey. In 2020 we scored an A- for our climate related risk disclosure, an improvement from B in 2019 and a step up into the Leadership band.

### 4.3.2 Climate Scenario Analysis

In 2020 we identified our transition risks through scenario analysis using the Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5°C, the United Nations Principles for Responsible Investment (UNPRI) The Inevitable Policy Response and the International Energy Agency's (IEA) Sustainable Development Scenario. We also updated our physical risk scenario analysis at an asset level with consideration of relevant climate change models driven by the Representative Concentration Pathways, with specific focus on the RCP8.5 scenario.

This analysis was undertaken by senior operational management across multiple business functions when considering transitional risk and through asset-by-asset engagement workshops across the business to ensure historic actual climate events were matched and validated against the climate scenarios predicted to validate findings.

### 4.3.3 Climate Risk and Opportunities

Our scenario analysis identified that potential substantive transitional risks were likely to be driven by changes in government policy, mandates on and regulation of existing products and services, changes in investor expectations and decision-making and reputational risks arising from a shift in consumer preferences. Physical risks identified at the asset level were likely to be driven by the increase in severity and frequency of extreme weather events such as cyclones, floods and heat waves.

Risks identified for our business across our short (1 year), medium (1-5 years) and long term (5-30 years) horizons are:

> changes in government policy that affect pricing of greenhouse gas emissions and the flow on effect that a price on carbon would deliver to our operational costs, or which would require our business to fast track transition to lower emissions technologies (medium term)

> mandates on and regulation of existing products and services (medium term)

> shifts in investment decisions towards sustainable and resilient business (medium term)

> reputational risk arising from shifts in consumer preferences which also reduces demand for goods and services (long term)

> increased severity and frequency of extreme weather events such as cyclones and floods (short, medium and long term).

A full description of the climate-related risks will be provided in our Responsible Business Report which will be released on 31 March 2021.

Our Corporate Risk Profile captures these risks as the Economic Impact of Climate Change with a current residual risk rating of low. With our industry advocacy positioning, deep engagement with our investor base, active monitoring of customer preferences and our requirements to continually evaluate climatic conditions to deliver asset operational efficiency any change that could impact our risk ratings will be identified and appropriately assessed within our ERM Framework.

Opportunities that have been identified as part of this work include:

> shift toward onsite renewable energy generation (short term)

> use of lower-emission sources of energy including chiller efficiency, lighting, building management systems and analytics (short to medium term)

> access to new investment markets including PPAs, green bonds and sustainability linked loans (short to long term).

As a strategic response to the risks and opportunities identified through our scenario analysis, in 2020 we:

> increased our focus on reduced emissions and operational cost via asset efficiency investment programs such as LED lighting with commitments to a NABERs 4.5 star rating across the portfolio by 2025

> commenced Phase 2 of our Building Management System (BMS) and energy analytics program which drives ~7-10 per cent efficiency at assets where it is implemented. A further five Westfield Living Centres were included in Phase 2, building on the six centres of Phase 1

> the development of a HVAC refrigerant replacement strategy to minimise risk and increase efficiency

> commitment to incorporate 5 Star Green design guidelines into all major developments by 2025

> continued to build on our climate change resilience status across the portfolio, developing our first climate change adaption plan for two assets.

We also continued to develop our Net Zero Emissions RoadMap in 2020 with a focus on asset optimisation and the generation of renewable energy.

In 2021 we will prepare a Net Zero Emissions roadmap for each of our 42 Westfield Living Centres. These will outline the opportunities for emissions reduction, estimated timelines for deployment and evaluation for green power and/or offset strategies to achieve net zero for our residual centre emissions.

# 5. Directors

## 5.1 Board membership and qualifications

Our Board comprises eight independent non-executive Directors and one executive Director (being the Managing Director/ Chief Executive Officer (CEO)). The period of office[1] held by, and the independence status of, each Director and their qualifications, skills and experience, significant directorships held in other companies, and attendance at Board and Committee meetings during the year are set out below.

| Name | Position held | Appointed or last elected / re-elected at an AGM |
|---|---|---|
| Brian Schwartz | Non-executive Chairman | 4 April 2019 |
| Peter Allen | Managing Director and CEO | 25 May 2011<br>(not required to stand for re-election) |
| Andrew Harmos | Non-executive Director | 8 April 2020 |
| Michael Ihlein | Non-executive Director | 4 April 2019 |
| Carolyn Kay | Non-executive Director | 5 April 2018 |
| Steven Leigh | Non-executive Director | 4 April 2019 |
| Guy Russo | Non-executive Director | 1 September 2020 |
| Margaret Seale | Non-executive Director | 5 April 2018 |
| Michael Wilkins | Non-executive Director | 8 April 2020 |

(1) Scentre Group was established on 30 June 2014. Prior to that date, Scentre Group Limited and Scentre Management Limited formed part of the prior Westfield Group and the appointment dates of Mr Schwartz (6 May 2009) and Mr Allen (25 May 2011) pre-date the establishment of Scentre Group. Mr Schwartz was appointed to the Boards of RE1 Limited and RE2 Limited on 30 June 2014. Mr Allen was appointed to the Boards of RE1 Limited and RE2 Limited on 12 August 2010. Mr Harmos and Mr Ihlein were both appointed to Scentre Group Limited and Scentre Management Limited on 30 June 2014 (the appointment date to RE1 Limited and RE2 Limited, which formed part of the prior Westfield Retail Trust, was 21 December 2010). Ms Kay and Ms Seale were appointed on 24 February 2016. Mr Leigh was appointed to each board on 4 April 2019. Mr Wilkins was appointed to each board on 8 April 2020 and Mr Russo was appointed to each board on 1 September 2020. Ms Knox who had been appointed on 7 May 2015, retired from each board on 8 April 2020.

## Brian Schwartz AM

**Independent Non-Executive Chairman**

*Chair of the Nomination Committee*

Age 68

In a career with Ernst & Young Australia spanning more than 25 years, Brian rose to the positions of Chairman (1996 – 1998) and then CEO of the firm from 1998 to 2004. From 2005 to 2009, Brian was the CEO of Investec Bank (Australia) Limited. Brian is a director on the board of a Guardian Early Learning Group company, part of Partners Group, a global private markets investment manager. He is a fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants. Brian was previously Chairman of Insurance Australia Group Limited, Deputy Chairman of Westfield Corporation, Deputy Chairman of Football Federation Australia Limited and a Director of Brambles Limited.

## Peter Allen

**Managing Director/ Chief Executive Officer**

Age 59

Peter Allen is an executive Director and Chief Executive Officer of Scentre Group. Prior to the establishment of Scentre Group in 2014, Peter was an executive Director and Chief Financial Officer of Westfield Group. Peter joined Westfield in 1996 and between 1998 and 2004 was Westfield's CEO of the United Kingdom/Europe and responsible for establishing Westfield's presence in the United Kingdom. Peter is Chairman of the Shopping Centre Council of Australia and a Director of the Victor Chang Cardiac Research Institute and Essendon Football Club. He is a member of the President's Council of the Art Gallery of NSW and is a member of the Property Council of Australia including his role as a Property Male Champion of Change.

## Andrew Harmos

**Independent Non-Executive Director**

*Chair of the Human Resources Committee/ Member of the Nomination Committee*

Age 61

Andrew is one of the founding directors of Harmos Horton Lusk Limited, an Auckland based specialist corporate legal advisory firm, where he specialises in takeover advice and structuring, securities offerings, company acquisitions and disposals and strategic Board and transaction advice. Andrew holds a Bachelor of Commerce and a Bachelor of Laws (Honours) from The University of Auckland. Andrew was formerly a non-executive Director of AMP Limited, AMP Life Limited and The National Mutual Life Association of Australasia Limited, a non-executive Director of Westfield Retail Trust and Chairman of the New Zealand Stock Exchange and a Trustee of the Arts Foundation of New Zealand.

## Michael Ihlein

**Independent Non-Executive Director**

*Chair of the Audit and Risk Committee/ Member of the Nomination Committee*

Age 65

Mike is a highly experienced corporate and finance executive with a long career with Coca-Cola Amatil Limited (and related companies) where he was Managing Director, Poland (1995 – 1997) and Chief Financial Officer and Executive Director (1997 – 2004). Mike joined Brambles as Chief Financial Officer and Executive Director in March 2004 and held the position of Chief Executive Officer from July 2007 until his retirement in November 2009. Mike holds a Bachelor of Business Studies (Accounting) from the University of Technology, Sydney. He is currently a non-executive Director and Chair of the Risk & Audit Committee of CSR Limited, and a non-executive Director and Chair of the Finance & Audit Committee of Inghams Group Limited, and a non-executive Director and Chair of the Audit Committee of Ampol Limited and is also a Fellow of the Australian Institute of Company Directors, CPA Australia and the Financial Services Institute of Australasia. Mike was formerly a Director of Murray Goulburn Co-operative Co. Limited, from 2012 to 2017, and of Snowy Hydro Limited, from 2012 to 2019.

## Carolyn Kay

**Independent Non-Executive Director**

*Member of the Audit and Risk Committee*

Age 59

Carolyn has had more than 30 years of experience in the finance sector as an executive and non-executive director. In addition, Carolyn has been and remains a non-executive director of enterprises across a broad range of industries. She is currently a Guardian of the Future Fund, a non-executive director of Myer Family Investments and Rothschild & Co Australia (where she is also a senior advisor). In the not for profit sector, Carolyn is also a non-executive director of the General Sir John Monash Foundation and a Trustee of Sydney Grammar School. As an executive Carolyn worked as a banker and lawyer at Morgan Stanley, JP Morgan and Linklaters & Paines in London, New York and Australia. Carolyn holds Bachelor Degrees in Law and Arts (University of Melbourne), a Graduate Diploma in Management (AGSM), is a member of Chief Executive Women and is a Fellow of the Australian Institute of Company Directors. She was awarded a Centenary Medal for services to Australian society in business leadership.

## Steven Leigh

**Independent Non-Executive Director**

*Member of the Human Resources Committee*

Age 58

Steven Leigh's career in the real estate investment management and development industry spans more than three decades. He has in depth knowledge of real estate economics and experience in retail assets. During a 25 year career at QIC, Steven held a number of senior positions including most recently Managing Director – Global Real Estate with QIC. Steven's prior roles also include Managing Director of Trinity Limited and subsequently the Chief Executive Officer of the wholesale unlisted funds management business. Following LaSalle Investment Management's acquisition of Trinity Funds Management, Steven held the position of Head of Australia for LaSalle Investment Management. He is a non-executive Director of the ASX listed stapled entity, National Storage REIT. Steven is also one of the founding members of Male Champions of Change established by the Property Council of Australia. He is a registered valuer, having started his career as a valuer with National Mutual Life. Steven is a graduate of Gatton College (now part of the University of Queensland) and the Queensland University of Technology in the disciplines of real estate valuation and project management.

## Guy Russo

**Independent Non-executive Director**

Age 61

In a corporate career spanning 42 years Guy has served as CEO, Wesfarmers Department Store Division (Kmart & Target); Managing Director, Kmart Australia & NZ; President, McDonald's Greater China; CEO, McDonald's Australia Ltd and Chairman of Ronald McDonald House Children's Charities. Guy is most well-known for leading the corporate turn-around of Kmart Australia creating the largest and most profitable retail department store in the country. A member of YPO since 2006, now with Lestari, the first Impact Chapter of YPO, he has consulted to business in China and Asia, served as a member on the Business Council of Australia, and won industry awards for leadership in diversity in employment. Guy is currently the Chairman of Australian-owned Guzman Y Gomez, Chairman of SomnoMed and Chairman of OneSky, an international charity for children living in poverty in Asia.

## Margaret Seale

**Independent Non-Executive Director**

*Member of the Audit and Risk Committee/ Member of the Human Resources Committee*

Age 60

Margie has more than 25 years' experience in senior executive roles in Australia and overseas, including in the consumer goods, health and global publishing sectors, in sales and marketing, and in the successful transition of traditional business models to digital environments. Immediately prior to her non-executive career, Margie was Managing Director of Random House Australia and New Zealand and President, Asia Development for Random House globally. She is currently a non-executive director of Telstra Corporation Limited and Westpac Banking Corporation. Margie has previously served on the boards of Australian Pacific (Holdings) Pty Limited, Penguin Random House Australia Pty Ltd (as a non-executive director and then Chair), the Australian Publishers' Association, Bank of Queensland Limited, Ramsay Health Care Limited, Chief Executive Women (chairing its Scholarship Committee), the Powerhouse Museum and the Sydney Writers' Festival. In 2015, Margie founded philanthropic literary travel company Ponder & See, which funds writers' festivals and writers through creating literary trips or experiences for interested readers.

## Michael Wilkins

**Independent Non-executive Director**

Age 64

Mike Wilkins is an experienced non-executive director with more than 30 years' executive experience in financial services in Australia and Asia, including insurance and investment management. He is currently the non-executive Chairman of QBE Insurance Group Limited and the non-executive Chairman of Medibank Private Limited.

Mike has more than 20 years' experience as CEO for ASX 100 companies. He is the former Managing Director and CEO of Insurance Australia Group Limited (IAG), former Managing Director and CEO of Promina Group and former Managing Director of Tyndall Australia Limited.

Mike has also served as a director of Maple-Brown Abbott Limited, The Geneva Association, the Australian Business and Community Network and Alinta Limited. Most recently, Mike was a Director of AMP Limited (2016-2020) including acting as Interim Executive Chairman and Acting CEO for a period in 2018. He was a member of the Australian Government's Financial Sector Advisory Council for five years and a member of the Business Council of Australia for eight years. Mike is a Fellow of Chartered Accountants Australia and New Zealand. He was made an Officer of the Order of Australia in 2017 for distinguished service to the insurance industry, particularly to improved corporate social responsibility standards, to the building of natural disaster resilience and safer communities, and to workplace diversity.

## 5.2 Directors' relevant interests

The relevant interests of each Director in Scentre Group securities as at the date of this report are shown below.

| Director | Number of Stapled Securities |
|---|---|
| Brian Schwartz | 165,861 |
| Peter Allen | 6,077,607 |
| Andrew Harmos | 147,897 |
| Michael Ihlein | 48,048 |
| Carolyn Kay | 57,000 |
| Steven Leigh | 96,316 |
| Guy Russo | 145,000 |
| Margaret Seale | 56,750 |
| Michael Wilkins | 100,000 |

No Director holds options over any issued or unissued Scentre Group securities. No options over any issued or unissued stapled securities have been issued to the Directors. None of the Directors hold debentures of Scentre Group.

None of the non-executive Directors are party to or entitled to a benefit under a contract which confers a right to call for, or be delivered, interests or securities in the Group.

Aliza Knox retired on 8 April 2020. She held 60,400 securities at that date.

Details of the performance rights held by the executive KMP are set out in the Remuneration Report.

## 5.3 Directors' attendance at meetings

The number of Board and Committee meetings held and attended by each Director during the Financial Year are detailed below. The number of Board meetings originally scheduled for 2020 was 10. However, as a result of the pandemic, a number of out of cycle Board meetings were held which are listed below as unscheduled meetings.

| | Board | | | | Committees | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Scheduled meetings | | Unscheduled meetings | | Audit and Risk Committee | | Human Resources Committee | | Nomination Committee | |
| Director | Held | Attended | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Brian Schwartz | 10 | 10 | 13 | 13 | – | – | – | – | 7 | 7 |
| Peter Allen | 10 | 10 | 13 | 13 | – | – | – | – | – | – |
| Andrew Harmos | 10 | 10 | 13 | 13 | – | – | 7 | 7 | 7 | 7 |
| Michael Ihlein | 10 | 10 | 13 | 13 | 5 | 5 | – | – | 7 | 7 |
| Carolyn Kay | 10 | 10 | 13 | 13 | 5 | 5 | – | – | – | – |
| Aliza Knox (retired 8 April 2020) | 2 | 2 | 4 | 4 | – | – | 2 | 2 | – | – |
| Steven Leigh | 10 | 10 | 13 | 12 | – | – | 7 | 7 | – | – |
| Guy Russo (appointed 1 September 2020) | 4 | 4 | 3 | 3 | – | – | – | – | – | – |
| Margaret Seale | 10 | 10 | 13 | 13 | 5 | 5 | 7 | 7 | – | – |
| Michael Wilkins (appointed 8 April 2020) | 8 | 8 | 9 | 8 | – | – | – | – | – | – |

(i) Meetings held during period of appointment.

(ii) Directors also attend meetings of Committees of which they are not a member. The Chairman of the Board is the Chairman of the Nomination Committee and he also typically attends meetings of the Audit and Risk Committee and Human Resources Committee. This attendance is not reflected in the table above.

(iii) The Committees are comprised of the following non-executive Directors: Nomination Committee: Brian Schwartz (Chair), Andrew Harmos and Michael Ihlein; Audit and Risk Committee: Michael Ihlein (Chair), Carolyn Kay and Margaret Seale; and Human Resources Committee: Andrew Harmos (Chair), Aliza Knox (retired 8 April 2020), Margaret Seale and Steven Leigh.

## 5.4 Directors' directorships of other listed companies

Details of all directorships of other listed entities held by each Director at any time in the 3 years immediately before 31 December 2020 are set out below.

Scentre Group comprises the Company, Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3). The responsible entity of SGT1 is Scentre Management Limited. The responsible entity of SGT2 is RE1 Limited and the responsible entity of SGT3 is RE2 Limited. Scentre Management Limited is also the responsible entity of Carindale Property Trust, a listed managed investment scheme (ASX:CDP). Each Directors' appointment to these companies is continuing. The date of appointment is set out at section 5.1.

| Director | Company | Date appointed | Date resigned |
|---|---|---|---|
| Brian Schwartz | Westfield America Management Limited^<br>Westfield Corporation Limited^ | 6 May 2009<br>8 April 2014 | 7 June 2018<br>7 June 2018 |
| Peter Allen | | | |
| Andrew Harmos | AMP Limited | 1 June 2017 | 8 May 2020 |
| Michael Ihlein | CSR Limited<br>Inghams Group Limited<br>Ampol Limited | 7 July 2011<br>16 April 2020<br>1 June 2020 | Continuing<br>Continuing<br>Continuing |
| Carolyn Kay | Brambles Limited | 21 August 2006 | 23 October 2018 |
| Steven Leigh | National Storage Holdings Limited | 21 November 2014 | Continuing |
| Guy Russo | SomnoMed Limited | 24 August 2020 | Continuing |
| Margaret Seale | Telstra Corporation Limited<br>Westpac Banking Corporation<br>Bank of Queensland Limited<br>Ramsay Health Care Limited | 7 May 2012<br>1 March 2019<br>21 January 2014<br>28 April 2015 | Continuing<br>Continuing<br>28 June 2018<br>31 October 2018 |
| Michael Wilkins | QBE Insurance Group Limited<br>Medibank Private Limited<br>AMP Limited | 1 November 2016<br>25 May 2017<br>12 September 2016 | Continuing<br>Continuing<br>14 February 2020 |

Notes:

^ Westfield Corporation comprised Westfield Corporation Limited, Westfield America Trust and WFD Trust (ASX:WFD). The responsible entity of each scheme was Westfield America Management Limited.

# Former Director Aliza Knox retired on 8 April 2020.

## 5.5 Secretaries

As at the date of this report, the Company had the following Secretaries:

### Maureen McGrath

Maureen was appointed General Counsel, Compliance and Secretariat of Scentre Group in June 2014. Prior to the establishment of Scentre Group, Maureen was General Counsel, Corporate and Compliance, Westfield Group. She holds a Bachelor of Laws and a Bachelor of Jurisprudence from the University of New South Wales. Maureen is a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors.

### Paul Giugni

Paul was appointed General Counsel of Scentre Group in June 2014. Prior to the establishment of Scentre Group, Paul was General Counsel, Australia and New Zealand, Westfield Group. He joined Westfield Group in September 1998 and holds a Bachelor of Economics and a Bachelor of Laws (Honours) from the University of Sydney. Prior to joining Westfield Group, Paul was a solicitor at Freehill Hollingdale and Page (now Herbert Smith Freehills).

## 5.6. Indemnities and insurance premiums

Subject to the following, no indemnity was given or insurance premium paid during or since the end of the Financial Year for a person who is or has been an officer or auditor of the Group.

The Company's Constitution provides that a person who is or has been a Director or Secretary of the Company may be indemnified by the Company against liabilities incurred by the person in that capacity and for all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which the person becomes involved because of that capacity. The indemnity does not apply to the extent that the Company is forbidden by statute to indemnify the person or the indemnity would, if given, be made void by statute.

The Group has paid premiums for directors' and officers' liability insurance in respect of Directors, Secretaries and Executive Officers of the Group as permitted by the Corporations Act 2001. The terms of the insurance policy prohibit disclosure of details of the nature of the liabilities covered by, and the amounts of the premiums payable under, that insurance policy.

In addition, each Director has entered into a Deed of Indemnity and Access which provides for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The deed also entitles the Director to access Company documents and records, subject to undertakings as to confidentiality.

To the extent permitted by law, the Company has agreed to indemnify its auditors, EY, as part of the standard terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment with respect to such indemnity has been made to EY during or since the Financial Year.

## 5.7 Options

No options were issued by the Company during or since the end of the Financial Year and no Director or officer holds options over issued or unissued Scentre Group stapled securities.

Details of the performance rights held by the Key Management Personnel are set out in the Remuneration Report

# 6. Audit

## 6.1 Audit and Risk Committee

As at the date of this report, the Company had a Board Audit and Risk Committee.

Details of the activities of the Committee are outlined in our Corporate Governance Statement.

## 6.2 Non-Audit Services and Audit Independence

During the year EY, the Group's auditor, provided certain non-audit services to the Group.

Details of the amount paid to the auditor, which includes amounts paid for non-audit services, are set out in Note 39 to the Financial Statements. The Board is satisfied that the provision of non-audit services by the auditor during the Financial Year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Furthermore, the provision of non-audit services by the auditor during the Financial Year did not compromise the independence requirements under the Corporations Act 2001 because:

> The Group's Charter of Non-Audit Services sets out the categories of non-audit services that the auditor may or may not undertake. Those categories of permitted services remain subject to the overriding principle that a non-audit service may not be provided in circumstances where it would be detrimental to the actual or perceived independence of the statutory auditor.

> The Charter of Non-Audit Services provides a mechanism by which approval for non-audit services proposed to be performed by the auditor is required to be given prior to the provision of such non-audit services, providing an appropriate review point for independence issues prior to engagement.

> Under the Charter of Non-Audit Services, the auditor is required to report as to its compliance with the terms of the Charter and, in all instances, confirm the position that the independence of EY as statutory auditor has been maintained.

> The auditor has provided an Auditor's Independence Declaration to the Board declaring that there has been no contravention of the auditor independence requirements of the Corporations Act 2001 or of any applicable code of professional conduct.

## 6.3 Auditor's Independence Declaration to the Directors of Scentre Group Limited

EY
Building a better working world

**Auditor's Independence Declaration to the Directors of Scentre Group Limited**

As lead auditor for the audit of Scentre Group Limited for the financial year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Scentre Group Limited and the entities it controlled during the Financial Year.

Ernst & Young    Megan Wilson

**Ernst & Young**

**Megan Wilson**
Partner

Sydney, 24 February 2021

Liability limited by a scheme approved under Professional Standards Legislation.

# 7. Remuneration Report

This report describes our approach to remuneration, how our remuneration philosophy and framework has responded to the COVID-19 pandemic, the remuneration outcomes for our key management personnel (KMP), and our framework for effective governance of remuneration matters. We have also sought to address the desire for greater transparency regarding our short-term at-risk remuneration (STAR) and our long-term at-risk remuneration (LTAR) and included more information about our measures and the assessment of those measures.

## Message from the Chairman of the Human Resources Committee

Dear Securityholders

As described in the Chairman's and CEO's joint letter on pages 4 and 5, 2020 was a challenging year. Our response to the COVID-19 pandemic was, and continues to be, built around the objectives of balancing the health, safety and well-being of our people, retail partners and customers with economic activity to support their requirements and the long-term interests of our investors.

Throughout the period, our leadership team has maintained its focus on delivering Our Purpose and Our Plan. Our Board would like to acknowledge the way our people have continued to serve our investors, our retail partners, our customers and our communities in these challenging times.

Each of our 42 Westfield Living Centres remained open, safe and trading during periods of pandemic restrictions in Australia and New Zealand to provide our customers with the ability to meet their needs, while implementing the highest standards of health and safety. As restrictions lifted, increasing numbers of our customers returned to our centres demonstrating the essential role our Westfield Living Centres play in the daily lives of our customers and communities.

Despite the restrictions, our people demonstrated their agility and ingenuity by accelerating strategic initiatives to support our customer driven strategy and continue to meet the needs of our communities in a COVID-Safe way.

Westfield Direct, a contactless drive-through Click & Collect platform, enabled us to connect our customers with our retail partners beyond traditional physical interaction. We also introduced Westfield Plus (a mobile-app based membership program) at the newly opened Westfield Newmarket in New Zealand, and then more broadly to Australia with more than 1.2 million members to date. We will continue to roll out this program in 2021.

During the year, we maintained our commitment to our Westfield Local Heroes program which saw 126 grants totalling $1.2 million awarded to individuals and their organisations across our communities in Australia and New Zealand.

We also maintained the momentum of our diversity and inclusion strategy and launched a range of initiatives and support tools to help our people and their families. These included access to health and wellbeing assistance and targeted education sessions with teams under pressure.

We recognised the profound impact the pandemic had on our retail partners and in response we led the development of a voluntary code of conduct designed to target appropriate assistance and support for small and medium size retailers (SMEs). The code was mandated by governments throughout Australia and we voluntarily applied the principles of the code to our New Zealand SME retail partners.

Capital management was a key focus of the leadership team and we acted quickly at the outset of the pandemic to secure additional funding ensuring the strong financial position of the Group throughout a very volatile period. We were able to achieve this without asking our securityholders for additional equity capital. Investors and debt capital markets, recognising the strength of our business in operating throughout the pandemic, supported our strategy and decision making.

To conserve cash for our business in an uncertain period we implemented cost reduction measures, including a reduction in resourcing levels, putting employees on "stand-by" with reduced hours, a freeze on recruitment and on non-essential spending. Our senior leadership team and the Board agreed to take a 20% reduction in fixed remuneration and board fees for a three-month period. The Group did not receive any financial support from the Australian or New Zealand governments, including the Jobkeeper program.

While we maintain a development pipeline, our response to the pandemic also saw us postponing both the development of Westfield Knox and the commencement of the retail component of 77 Market Street, Sydney. These proposed developments were to have qualified as development starts for the purposes of the development return hurdle (15%) under the FY20 LTAR.

## FY20 remuneration outcomes

In order to deliver on its intended purpose to engage, motivate and retain executives, our remuneration framework is comprised of fixed and at-risk remuneration. Metrics for at-risk or variable remuneration are a combination of financial and non-financial metrics designed to fairly remunerate executives for achieving outcomes that deliver, or will deliver, securityholder value.

**STAR (Short-term at-risk remuneration)**

The Group's financial performance has been materially impacted by, and our earnings growth target was not met because of, the pandemic. Despite this, the senior leadership team led by the CEO has delivered strong outcomes in capital management and in delivering market-leading rent collections, in a capital constrained and uncertain market. Performance against key non-financial measures exceeded expectations, notably the introduction of and progress with strategic initiatives, including Westfield Direct and Westfield Plus. These initiatives have positioned the Group to accelerate its growth as consumer confidence continues to grow.

The CEO's STAR outcomes for FY20 reflect the Group's financial and non-financial performance and take into account the leadership Peter Allen displayed both as Group CEO and as Chair of the Shopping Centre Council of Australia. This includes his advocacy on behalf of the industry with government and in the development of a voluntary SME retailers' code of conduct and the early adoption of Retail Recovery Protocols. These protocols informed the industry's health and safety response to the pandemic.

Our CEO's leadership was also demonstrated in the Group's "firm but fair" approach to lease negotiations, maintaining securityholder value through positive cash flow in a COVID-19 environment. Peter Allen remained focused on our people at all times whilst leading the safe and gradual return of our teams to the workforce. His STAR outcome is 55% of maximum (2019: 78.2%).

Our CEO was supported at all times by the senior leadership team including the CFO, Elliott Rusanow, who was pivotal to the design and execution of our capital management initiatives. His STAR outcome is 50% of maximum (2019: 60%).

**LTAR (Long-term at-risk remuneration)**

*FY18 LTAR testing*

The FY18 LTAR was measured in December 2020. Despite being on track to vest prior to the impact of the pandemic, the FY18 LTAR vested at zero as neither the minimum levels required to meet the return on contributed equity (ROCE) hurdle (75% weighting) nor the development return hurdle (25% weighting) were met.

*FY19 and FY20 LTAR performance update*

Due to the impact of the pandemic on the Group's earnings, the FY19 LTAR ROCE hurdle (100%), to be measured in December 2021, is highly likely to vest at zero. The Board also determined not to grant the FY20 LTAR to executives as, again due to the impact of the pandemic, the performance measures (which were approved by securityholders at the 2020 AGM) would have been unattainable. The effect of three series of LTARs effectively failing because of the impact of the pandemic undermines a key element of the LTAR, namely acting as a retention tool.

*Retention awards*

We recognise that key to our ongoing success is attracting and retaining high-performing people. Retention is a key element of our LTAR design and due to the pandemic, the LTAR measures could not act effectively as either a motivational or a retention tool.

As announced to the ASX in September 2020, during the year the Board issued equity-based retention awards to members of the senior leadership team whose services are integral to the Group's response to the pandemic and to steering a course to recovery. In resolving to make these awards (which will not vest until February 2023 and February 2024), the Board had regard to the fact that, given the impact of the pandemic on the Group's earnings, it would not proceed with the grant of the FY20 LTARs to executives and despite being on track for vesting prior to the impact of the pandemic, the FY18 LTAR vested at zero and the FY19 LTAR (eligible to vest in 2021) hurdle is highly likely to vest at zero in 2021. The retention awards are subject to vesting conditions including satisfactory individual performance by the executive and contribution by the executive to the Group's annual business plans.

The Board had alignment with security holder interests front of mind in its deliberations on the retention awards and had the benefit of independent external advice in the design of the award program.

The Board believes that the grant of these awards is aligned with the best interests of our securityholders. The awards were granted at levels that the Board considered would continue to mitigate the risk of loss of key senior executives over the next few years as we gain traction on our strategic initiatives to support our future growth. They were not designed, nor set at levels intended, to compensate management for the loss of the LTARs, or for the impact of the pandemic on STAR outcomes or the value of existing executive securityholdings.

The Board believes that the remuneration outcomes for FY20 reflect the intended operation of our remuneration strategy and framework.

## The year ahead

In setting the LTAR hurdles for FY21, the Board has had regard to the significant challenges posed by the pandemic, views expressed by securityholders and the need for targets to be sufficiently demanding whilst suited to recovery from the pandemic.

Accordingly, for FY21 the hurdles are: ROCE (50% weighting), a relative TSR hurdle (30% weighting) and a strategic measure hurdle (20% weighting). These hurdles are discussed in section 7.10. The Human Resources Committee and the Board will continue to review the LTAR hurdles at appropriate intervals as the Group and the economy continue to emerge from the impact of the pandemic and having regard to the need to ensure that both our STAR and LTAR continue to meet our remuneration principles and philosophy.

Due to the economic impact on our securityholders, customers, retail partners and communities arising from the pandemic, the Board, together with the CEO and senior leadership team, consider that no changes should be made to fixed remuneration for FY21.

Reflecting on FY20, the Board is pleased with our people’s resilience and how they have responded to the pandemic. The Board believes that it has struck the right balance for FY20 remuneration outcomes in what has been an exceptional and complex year.

We will seek your support for this report at our 2021 AGM to be held on 8 April 2021.

**Andrew Harmos**
Chairman, Human Resources Committee

Our financial performance has been materially impacted by the pandemic and targets for earnings growth have not been met. We progressed our strategic objectives and delivered financial and non-financial results.

# 2020 Highlights

Our Purpose, Plan and responsible business pillars which underpin our remuneration strategy are described on page 3 of this report.

**Financial Results**

> gross cash inflow of $2,357 million and net operating cash flows (after interest, overheads and tax) grew by 96% in the second half of the year to $771 million

> operating profit of $763 million for the year, with second half of $403 million

> distribution of $363 million for the second half of 2020

**Accelerated our Customer Initiatives**

> Westfield Plus, a mobile-app based membership program, expanded to Australia – we now have more than 1.2 million members

> trialed Westfield Direct, a new drive-through, contactless click and collect service

**Strong demand for space in our Living Centres**

> all 42 Westfield Living Centres remained open, safe and trading during periods of pandemic restrictions

> during the year we completed 2,625 leasing deals including 848 new merchants, with occupancy at 98.5%

> supported our retail partners and reached commercial arrangements with 3,398 retailers including 2,456 SME retailers in line with the Code of Conduct

**Investors**

> strategic capital management actions, strengthening our financial position and preserving securityholder value

> new and extended funding of $10.1 billion with available liquidity of $6.9 billion, sufficient to cover all debt maturities to early 2024

**Projects**

> completed the $30 million dining precinct at Westfield Doncaster, introducing 14 new restaurants for the local community

> completed special projects at Westfield Belconnen and Westfield Hornsby, and the $50 million redevelopment of Westfield Carindale

> commenced the design and construction of the 3rd party residential and commercial tower project for Cbus Property

**A responsible, sustainable business**

> announced our target to achieve Net Zero Carbon Emissions by 2030

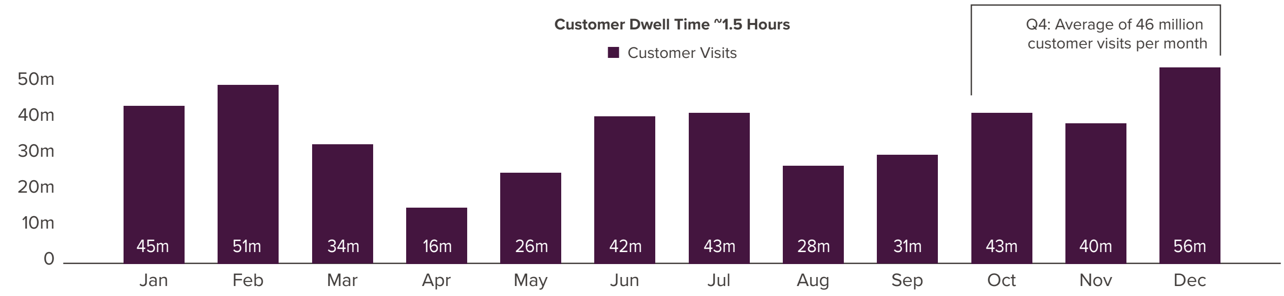
> met our carbon emissions intensity reduction target five years ahead of schedule (to reduce carbon emission intensity by 35% by 2025)

> publicly committed to the Task Force for Climate-Related Financial Disclosures (TCFD)

## Key operational and funding highlights are set out in the following charts.

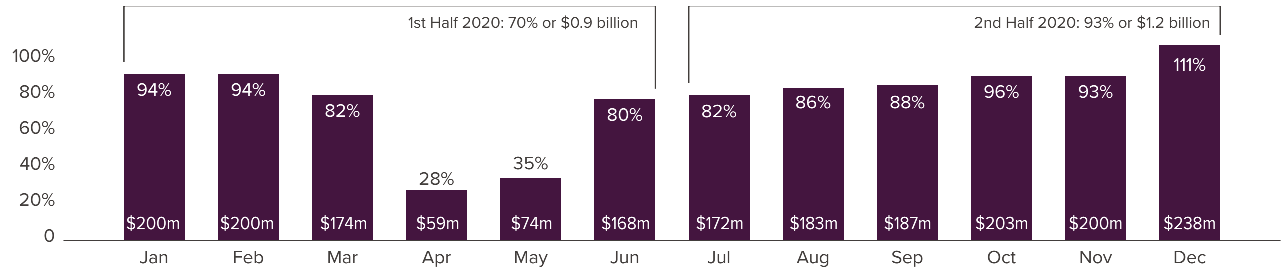
### Customer Visits

More than 37 million customer visits on average per month, spending close to one and half hours of their time in our centres each visit



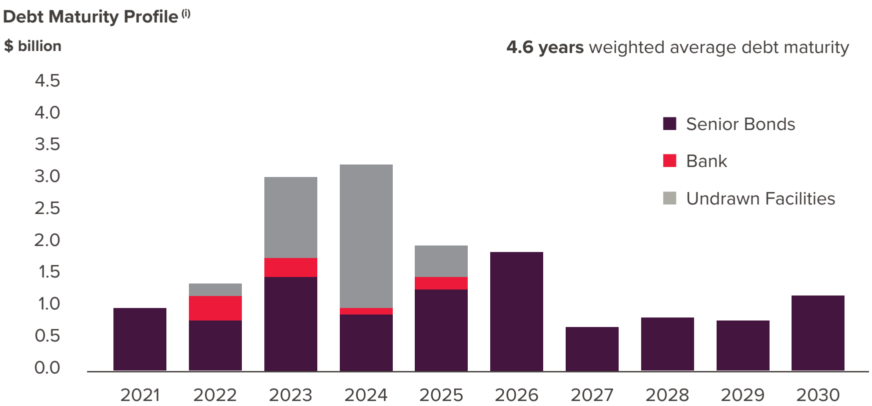

### Gross Rent Cash Collections

The Group collected $2,059 million in gross rent collections, including $641 million during Q4 2020, equivalent to 100% of gross billings.




### Funding Profile

Available liquidity of $6.9 billion, sufficient to cover all debt maturities to early 2024




| | % | $bn |
|---|---|---|
| **Senior Bonds** | | |
| USD | 25% | 5.0 |
| EUR | 19% | 3.9 |
| GBP | 7% | 1.5 |
| AUD | 2% | 0.4 |
| HKD | 1% | 0.1 |
| **Total** | **54%** | **10.9** |
| **Bank Facilities** | | |
| Drawn | 5% | 1.0 |
| Undrawn | 21% | 4.3 |
| **Total** | **26%** | **5.3** |
| **Total Debt Facilities** | **80%** | **16.2** |
| **Subordinated Bonds** | | |
| USD | 20% | 4.1 |
| **Total** | **100%** | **20.3** |
| Less Drawn Facilities | | (16.0) |
| Plus Cash and Short term Deposits | | 2.6 |
| **Total Liquidity** | | **6.9** |

(i) Does not include the subordinated notes given their equity-like characteristics

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|---|---|---|


The Remuneration Report has been audited by EY. Their report on the audit can be found on page 58 of this annual report.

## 7.1 Key management personnel

This report explains our approach to the remuneration of our Key Management Personnel (KMP). KMP are those individuals having the authority and responsibility for planning, directing and controlling the activities of Scentre Group, either directly or indirectly. They include non-executive Directors, the CEO and those senior executives considered executive KMP. For the year ended 31 December 2020, KMP were:

| | |
|---|---|
| **Current Non-executive Directors** | |
| Brian Schwartz (Chairman)<br>Andrew Harmos<br>Michael Ihlein<br>Carolyn Kay<br>Steven Leigh<br>Margaret Seale | These Directors were members of the Board for the whole of the financial year. |
| Michael Wilkins | Mr Wilkins was appointed to the Board on 8 April 2020. |
| Guy Russo | Mr Russo was appointed to the Board on 1 September 2020. |
| **Former Non-executive Director** | |
| Aliza Knox | Ms Knox retired from the Board on 8 April 2020. |
| **Executive KMP** | |
| Peter Allen, Executive Director/CEO<br>Elliott Rusanow, Chief Financial Officer | The executive KMP held their positions for the whole of the financial year. |

## 7.2 Remuneration strategy and framework

Our remuneration strategy and framework reflect Our Purpose, Our Plan, our DNA and our people vision, to be the place for talent to thrive.

### Remuneration principles

Attract and retain the best talent

Fairly reward our people

Align the interests of our people with securityholders

Easy to understand

### Remuneration framework

| | Remuneration element | Considerations / Performance conditions | Alignment with strategy and performance |
|---|---|---|---|
| Fixed Remuneration | Base salary (inclusive of superannuation).<br>Fixed remuneration for our executive KMP and senior leadership team is targeted at the 75th percentile of our comparator group (ASX 30, excluding the "Big 4" banks, Rio Tinto and BHP). | Considerations in setting fixed remuneration include: the scope and complexity of the role, the individual's experience, knowledge and skills, individual performance and market benchmarking. | Fixed remuneration is set at market competitive levels to attract and retain key talent. |
| Short term at risk remuneration (STAR)* | Recognises current year performance.<br>70% of achieved STAR is paid in cash following the end of the year of grant.<br>30% of achieved STAR is delivered as performance rights which vest at the end of 3 years after the grant date, creating a longer term and retention focus. | Our STAR is designed as annual at-risk remuneration. Underperformance and failure to achieve KPIs results in a reduction of awards under the STAR.<br>Executives are assessed against a scorecard containing financial and non-financial measures. | Alignment with strategy and performance<br>The STAR provides differentiation of pay for performance based on Group and individual performance outcomes.<br>Performance conditions are designed to support the financial and strategic direction of the Group, with KPIs that are measurable, while also providing for the exercise of Board judgement, and allowing for appropriate differentiation for performance. |
| Long term at risk remuneration (LTAR)* | Recognises long term performance.<br>Delivered as performance rights which vest in tranches at the end of year 3 and 4 after the grant date if the performance hurdles are achieved. | Long term performance hurdles are set by the Board which are focused on delivering securityholder value. | The LTAR ensures a strong link to the long-term performance of the Group, the creation of securityholder value and acts as a retention tool. |

* At risk remuneration: The value of rights granted under STAR and LTAR increases or decreases depending on security price

### Remuneration governance

Our remuneration governance is overseen by our Board and Human Resources Committee.

The Board is responsible for setting and overseeing the implementation of our remuneration strategy to deliver fair outcomes for our people and securityholders.

## 7.3 Key questions

| Questions | | Further information |
|---|---|---|
| **Remuneration in 2020** | | |
| 1. What was the impact of the COVID-19 pandemic on 2020 remuneration outcomes? | *Fixed remuneration:* Our senior leadership team and Board agreed to take a 20% reduction of fixed remuneration and base Board fees for a period of 3 months from 1 May 2020 to 31 July 2020 to assist in conserving cash in light of the impact of the pandemic on the Group's operations.<br>*STAR:* Due to the impact of the pandemic, the earnings growth target was not met while our performance against other measures exceeded targets. The CEO's STAR was awarded at 55% of maximum and the CFO's at 50% of maximum.<br>*LTAR:* Despite being on track to vest prior to the impact of the pandemic, the FY18 LTAR (measured in December 2020) vested at zero.<br>Retention awards: refer 3 below. | The Committee Chair's letter<br>Section 7.5 |
| 2. What changes were made to the remuneration framework in 2020? | No changes were made to the framework. Remuneration comprises fixed and at-risk remuneration, with at-risk remuneration including both short (STAR) and long term (LTAR) components.<br>We did, however, grant retention awards during the year (see 3 below). | Section 7.5 |
| 3. What are the retention awards? | Retention is a key element of our LTAR. The effect of three series of LTARs (FY18, FY19 and FY20) effectively failing because of the impact of the pandemic undermines the LTAR acting as a motivational and retention tool.<br>As announced to the ASX in September 2020, during the year the Board issued equity-based retention awards to members of the senior leadership team whose services are integral to the Group's response to the pandemic and steering a course to recovery.<br>Subject to service and performance conditions, the awards will vest in February 2023 and February 2024. | Section 7.9 and the Chairman's letter |
| 4. Is the CEO grant of performance rights subject to securityholder approval? | Yes. Approval for the proposed grant of 2021 performance rights to the CEO will be sought at the AGM on 8 April 2021. The FY20 LTAR grant (approved by securityholders at the AGM on 8 April 2020) did not proceed.<br>Approval was not required nor sought for the retention awards granted to the CEO. | Section 7.11 |
| **Remuneration framework** | | |
| 5. Who do we benchmark against? | Fixed remuneration for executive KMP and the senior leadership team is targeted at the 75th percentile of our primary comparator group (ASX 30, excluding the "Big 4" banks, Rio Tinto and BHP). | Section 7.2 and 7.5 |
| 6. What proportion of remuneration is at-risk? | The 2020 at-risk (i.e. the short term at-risk (STAR) and long term at-risk (LTAR)) proportion of maximum remuneration measured at grant date as a percentage of fixed remuneration was CEO: 75% and CFO: 71.5%. | Section 7.5 |
| 7. Are there any clawback or cancellation provisions for at-risk remuneration? | Yes. The plans contain provisions for the lapsing of all unvested awards in several circumstances. | Section 7.14 |
| 8. Does the Group have a minimum securityholding requirement? | Yes. Executive KMP and non-executive Directors are required to maintain a minimum holding of securities. | Section 7.11 |
| **At-risk STAR remuneration** | | |
| 9. Are any STAR payments deferred? | Yes. 30% of the actual STAR awarded is delivered as performance rights, which vest 3 years after the grant date. | Section 7.2 |
| 10. Are STAR payments capped? | Yes. The potential maximum STAR for executive KMP is capped at 150% of their fixed remuneration. | Section 7.5 and 7.14 |
| **At-risk LTAR remuneration** | | |
| 11. What were the performance measures for the LTAR? | The FY20 LTAR hurdles were:<br>> ROCE (85% weighting)<br>> A development return hurdle (15% weighting).<br>However, the Board determined not to grant the FY20 LTAR to executives as due to the impact of the pandemic, the performance measures were unattainable. | The Committee Chair's letter<br>Section 7.14 |
| 12. What is the LTAR grant opportunity as a percentage of fixed remuneration for our executive KMP? | CEO: 155%.<br>CFO: 100%. | Section 7.5 and 7.14 |

| Questions | | Further information |
|---|---|---|
| 13. Can the LTAR hurdles be adjusted? | Yes. The Board reserves the right to adjust performance hurdles under the LTAR plan to reflect the impact of any capital transaction occurring during the performance period.<br>No adjustments were made in FY20. | Section 7.14 |
| 14. Does the LTAR have re-testing? | No. If full qualification for awards is not achieved, there is no provision for re-testing the hurdles. | Section 7.14 |
| 15. Are distributions paid or unvested rights during the vesting period? | No. However, the number of rights allocated under the STAR and LTAR is determined using the face value of Scentre Group securities, adjusted for the estimated value (based on the Group's published 1-year forecast) of distributions that may be paid on Scentre Group securities during the vesting period. No subsequent adjustments are made to take into account actual distributions paid. | Section 7.14 |
| 16. Can participants hedge their unvested awards? | No. Participants are prohibited from hedging awards. | Section 7.14 |
| 17. Does Scentre Group buy securities or issue new securities to satisfy vesting? | The Group does not issue new securities. Where rights are settled with securities, the Group does so by transferring to an executive securities that have been acquired on-market. | Section 7.14 |
| 18. Are there any changes planned to the STAR and LTAR in 2021? | Yes. Changes have been made to the LTAR hurdles. | Chairman's letter and section 7.10 |

## 7.4 Overview of Group performance

The following table represents business performance outcomes and security price over the last 5 years.

| | | FY20 | FY19 | FY18 | FY17 | FY16 |
|---|---|---|---|---|---|---|
| Operating profit [i][ii] | A$m | **763.4** | 1,274.7 | 1,270.3 | 1,229.1 | 1,177.2 |
| Operating profit per security [ii] | cents | **14.71** | 24.10 | 23.94 | 23.14 | 22.16 |
| Funds from Operations (FFO) [ii] | A$m | **766.1** | 1,331.9 | 1,330.0 | 1,285.2 | 1,234.0 |
| FFO per security [ii] | cents | **14.76** | 25.18 | 25.06 | 24.20 | 23.23 |
| Distribution per security | cents | **7.00** | 22.60 | 22.16 | 21.73 | 21.30 |
| Security price (at 31 December) | A$ | **2.78** | 3.83 | 3.90 | 4.19 | 4.64 |
| Distribution pay-out ratio (% of FFO) | % | **47.4** | 88.9 | 87.8 | 89.5 | 91.4 |
| Return on contributed equity (ROCE)[iii] | % | **7.45** | 12.84 | 12.72 | 12.28 | 11.80 |
| Assets under management (AUM) | A$b | **49.9** | 56.0 | 54.2 | 51.0 | 45.7 |
| Group's share of AUM | A$b | **34.1** | 38.2 | 39.1 | 36.2 | 32.3 |
| Profit/(loss) after tax (inclusive of unrealised movements) | A$m | **(3,731.8)** | 1,179.5 | 2,287.2 | 4,217.9 | 2,990.5 |
| Gearing (at 31 December) | % | **27.7** | 33.0 | 33.9 | 32.1 | 33.3 |

(i) Funds from Operations before Project Income (net of tax).

(ii) For consistency with FY20, FY16-FY19 has been restated to exclude straightlining of rent.

(iii) The ROCE presented above in each of the respective years reflects the methodology applicable for the measurement of the LTAR hurdle for that particular year.

In the four years prior to 2020, the Group's growth in operating profit, FFO per security as well as distributions per security and ROCE increased year on year.

The Group's financial performance directly affects both STAR and LTAR outcomes. Key financial metrics that are aligned to the STAR and LTAR are earnings and ROCE.

The Group's performance was significantly impacted by the pandemic resulting in the FY20 growth in earnings being below the STAR threshold of 3% growth. The impact of the pandemic on the Group's earnings also resulted in the FY18 LTAR vesting at zero as neither hurdle (as outlined in section 7.5) were met.

The financial year profit/loss (after tax) was significantly affected by unrealised movements in property valuations, expected credit charge relating to the pandemic and unrealised losses on the Group's derivative portfolio.

Operating profit, FFO and profit/loss (after tax) are each after expensing and an expected credit charge of $303.9 million related to the financial impact of the pandemic.

A distribution of 7.00 cents per security will be paid for the six months to 31 December 2020. The Group did not receive any financial support from the Australian or New Zealand governments, including the Jobkeeper program.

Key operating and funding highlights for the financial year are set out on pages 35-36 of this report.

## 7.5 Executive KMP remuneration

### Remuneration mix

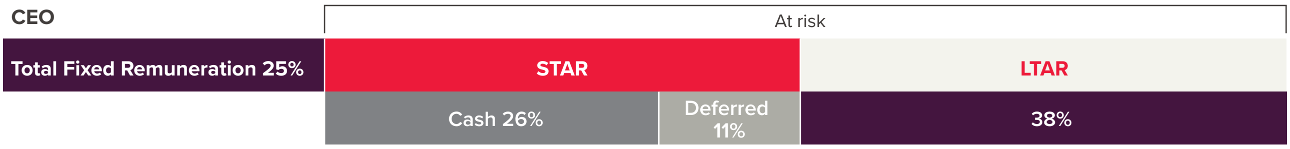
The executive KMP's remuneration comprises fixed and at-risk remuneration.

The remuneration mix for our executive KMP is weighted towards at-risk remuneration. The potential maximum STAR (as a percentage of fixed remuneration) for each of our executive KMP is 150%. The LTAR (at grant, as a percentage of fixed remuneration) for our executive KMP is CEO: 155% and CFO: 100%.

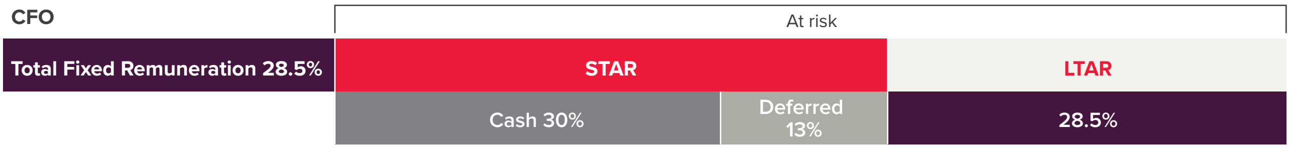
The tables below show each of the components as a percentage of maximum remuneration at grant for our executive KMP for 2020. The actual amount delivered under the STAR and LTAR depends on the level of achievement of the performance measures.

There are no changes to the fixed remuneration, STAR opportunity or LTAR opportunity (at grant) for our executive KMP for 2021. The CEO's fixed remuneration has remained unchanged since the establishment of the Group in June 2014 and our CFO's fixed remuneration has remained unchanged since his appointment in April 2019.

**CEO**




**CFO**




As a reference point to compare remuneration levels for our executives, our primary comparator group is the ASX 30, excluding the "Big 4" banks, Rio Tinto and BHP. While we also benchmark against the A-REIT sector, we believe that the ASX 30 comparator group more accurately aligns with our desire to attract and be competitive in the market for talent from the broader ASX30 having regard to the nature of our business, our strategic agenda, and size.

### STAR outcomes

For FY20, the Board set a range of financial and non-financial performance measures for the executive KMP. These measures reflect the four pillars of our responsible business framework: economic performance; people; community and environment.

The STAR includes a 10% Board assessed discretionary component in recognition that the emphasis on business priorities may shift during the year.

## Peter Allen, CEO

Reflective of Group and individual performance, the CEO's 2020 financial year STAR outcome is 55% of maximum.

The 10% Board discretionary component applies across both financial and non-financial measures.

In considering the 10% discretionary component of the CEO's FY20 STAR, the Board recognised, and weighted its assessment to take into account outcomes for the Group, our people, customers and retail partners and his significant commitment, leadership and performance in responding to pandemic related challenges not only for the Group, but our industry and the jurisdictions in which we operate.

| Measure and commentary | Weight | Not met | Partially met | Met or exceeded | % of STAR max |
|---|---|---|---|---|---|
| **Financial (65% weighting)** | | | | | |
| **Earnings growth target** (3% before project income) not met | 40% | ▲ | | | 0% |
| **Capital management** initiatives (assessed by the Board by taking into account management led response to the pandemic)<br>> Secured additional funding in April 2020 ensuring the Group's strong financial position<br>> Identified the opportunity and executed a US$3.0 billion (A$4.1 billion) subordinated notes issue in September 2020<br>> Sufficient long-term liquidity to cover all debt maturities to early 2024<br>> Maintenance of "A" grade credit ratings by S&P, Fitch and Moody<br>> No equity capital sought from securityholders | 25% | | | ▲ | 20% |
| **Non-financial (35% weighting)** | | | | | |
| **Customer and retail and brand partners**<br>> Net Promoter Score (NPS) outcomes and reputation score growth<br>  > NPS increased +1 to 36<br>> Westfield Plus, a mobile-app based program, expanded to Australia. We now have more than 1.2 million members<br>> Acceleration of Westfield Direct, a new drive through, contactless service | 15% | | | ▲ | 15% |
| **People**<br>**Focus on life safety and risk management culture, increasing gender diversity, and maintaining a high level of employee engagement**<br>> No employee or contractor fatalities in the Group's workplaces<br>> Implementation of COVID-Safe and Safe Work protocols<br>> WGEA Employer of Choice for a third year<br>> Continued high level of employee engagement (low levels of employee turnover; 100% retention of key executives)<br>> No funds received from the Australian government under its JobKeeper scheme | 15% | | | ▲ | 15% |
| **Environment**<br>**Commitment to achieve net zero emissions by 2030**<br>> Roadmap established to achieve net zero emission by 2030 with a focus on asset optimisation and the generation of renewable energy<br>> Achieved Sector Leader Status with GRESB within the Global Listed Development Sector<br>> Scored an A- for the Group's climate related risk disclosure in the CDP environmental impact survey, an improvement from B in 2019 and a step up into the Leadership band | 5% | | | ▲ | 5% |

The achieved STAR outcome for the CEO is as follows.

| Year | STAR maximum $ | Achieved STAR $ | 70% Cash Component $ | 30% Deferred equity $ | Achieved STAR (as a % of maximum) | STAR not achieved (as a % of maximum) |
|---|---|---|---|---|---|---|
| **2020** | **3,000,000** | **1,650,000** | **1,155,000** | **495,000** | **55** | **45** |
| 2019 | 3,000,000 | 2,346,000 | 1,642,000 | 704,000 | 78.2 | 21.8 |

## Elliott Rusanow, CFO

Reflective of Group and individual performance, the CFO's 2020 financial year STAR outcome is 50% of maximum.

The 10% Board discretionary component applies across both financial and non-financial measures.

In considering the 10% discretionary component of the CFO's FY20 STAR, although not contemplated when his original scorecard objectives were set, the Board recognised and weighted its assessment in recognition of Mr Rusanow's role in supporting the CEO in the Group's response to the pandemic and in his pivotal role in the design and execution of capital market transactions.

| Measure and commentary | Weight | Not met | Partially met | Met or exceeded | % of STAR max |
|---|---|---|---|---|---|
| **Financial (75% weighting)** | | | | | |
| **Earnings growth target** (3% before project income) | 37.5% | ▲ | | | 0% |
| **Capital management** initiatives (assessed by the Board by reference to the CFO's response to the pandemic)<br>> Suspension of the buyback program to preserve capital<br>> Secured additional funding in April 2020 ensuring the Group's strong financial position<br>> Identified the opportunity and executed a US$3.0 billion (A$4.1 billion) subordinated notes issue in September 2020<br>> Sufficient long-term liquidity to cover all debt maturities to early 2024<br>> Maintenance of "A" grade credit ratings by S&P, Fitch and Moody<br>> Gross cash inflows of $2,357 million | 37.5% | | | ▲ | 20% |
| **Non-financial (25% weighting)** | | | | | |
| **Retail and brand partners, People and Environment**<br>**Focus on risk management, increasing gender diversity, succession planning, employee engagement and environment**<br>> Oversight and implementation of effective controls for financial risks and framework for identifying and reporting of emerging risks<br>> Supported the CEO in the development and implementation of Westfield Direct and Westfield Plus<br>> Development plans established for emerging senior leaders<br>> Representation of women in senior finance roles increased by 29%<br>> Roadmap established to achieve net zero emission by 2030 with a focus on asset optimisation and the generation of renewable energy<br>> Decreased energy use approximately 10% year-on-year | 25% | | | ▲ | 25% |

The achieved STAR outcome for the CFO is as follows.

| Year | STAR maximum $ | Achieved STAR $ | 70% Cash Component $ | 30% Deferred equity $ | Achieved STAR (as a % of maximum) | STAR not achieved (as a % of maximum) |
|---|---|---|---|---|---|---|
| **2020** | **1,650,000** | **825,000** | **577,500** | **247,500** | **50** | **50** |
| 2019[(i)] | 1,368,292 | 820,975 | 574,683 | 246,292 | 60 | 40 |

(i) Appointed CFO on 4 April 2019. Remuneration reflects Mr Rusanow's period of service as executive KMP.

## LTAR outcomes

### (i) FY18 LTAR outcomes

The design and mechanics of the LTAR plan are set out in section 7.14.

Despite being on track to vest prior to the impact of the pandemic on the Group's earnings, the FY18 LTAR vested at zero as neither the minimum levels required to meet the ROCE hurdle (75%) nor the development return hurdle (25%) were met.

Performance rights were granted to executives in 2018 under the Group's FY18 LTAR plan. The FY18 LTAR had two hurdles: ROCE and a development return hurdle both measured at the end of year 3 (2020).

*ROCE (75% weighting)*

Target ROCE under the FY18 LTAR was 13.52% for 2020.

*Development return hurdle (25% weighting)*

The developments for the purposes of the FY18 LTAR and which commenced in 2018 were Westfield Newmarket in Auckland and Westfield Kotara.

Due to the impact of the pandemic on the Group's earnings, both measures failed to meet the minimum levels for vesting.

The outcome of the FY18 LTAR (measured at the end of 2020) is set out below.

| ROCE | Target (100% vesting) | What was achieved | % Vested | % Weighting |
|---|---|---|---|---|
| | 13.52% | 7.45% | 0% | 75 |

| Development return hurdle (yield) | Target | What was achieved | % Vested | % Weighting |
|---|---|---|---|---|
| | Aggregated target yield of 6.28% | 4.92% | 0% | 25 |

The ROCE hurdle operates on a graduated scale of vesting. A reduction in ROCE by 0.31% below the target level for 100% vesting (13.52%) reduced vesting of the ROCE hurdle to zero. This equates to a reduction in FFO of $38 million in 2020.

### (ii) FY19 LTAR and FY20 LTAR performance update

The hurdle under the FY19 LTAR is ROCE with 100% weighting. Despite being on track for vesting prior to the impact of the pandemic on the Group's earnings, the FY19 LTAR ROCE hurdle is highly unlikely to vest in 2021.

For the FY19 LTAR, ROCE target for vesting at 100% would require total growth of 7.4% over a three-year period.

As noted, due to the impact of the pandemic on the FY20 LTAR measures, the Board determined not to grant the FY20 LTARs.

## 7.6 FY20 remuneration received by executive KMP (actual)

The table below sets out the 2020 remuneration received by our executive KMP. It does not include remuneration attributable to 2020 performance which has not vested. Accordingly, this table differs from the table in section 7.7 (executive KMP statutory remuneration) primarily due to differences in the accounting treatment of share-based payments. The tables in sections 7.8 and 7.9 include an apportioned accounting value for all unvested at-risk equity-based STAR, LTAR and retention awards on issue during the year. Further details of the accounting treatment of awards are set out in Note 31 to the financial statements.

The table below also shows the market value at 31 December 2020 of the performance rights under the STAR and LTAR plans for rights that vested for the benefit of our executive KMP in 2020, including where awarded in prior periods. The value of the rights increases or decreases depending on movement in the ASX price of Group securities. Also included is the movement in the market value of these rights since the date of grant.

The table below presents:

> Fixed remuneration.

> Cash STAR: the 2020 cash bonus earned and paid under the STAR.

> Deferred STAR: the value of the deferred STAR from prior years that vested in 2020. This was satisfied by the delivery of Group securities.

> LTAR: the value of tranche 2 of the FY17 LTAR that vested in 2020. This was satisfied by the delivery of Group securities. As Elliott Rusanow was appointed on 4 April 2019 he did not hold awards under the FY17 LTAR or FY18 LTAR.

| | Year | Short term benefits Fixed remuneration[i] $ | Cash STAR $ | Other Short Term Benefits[ii] $ | Deferred STAR (FY18) Market Value At Grant $ | LTAR (FY17 & FY18) Market Value At Grant $ | Cash value before movement In market value | Movement In market value $ | Total cash value $ |
|---|---|---|---|---|---|---|---|---|---|
| Peter Allen | **2020** | **1,900,000** | **1,155,000** | **(1,154)** | **861,635** | **1,569,402** | **5,484,883** | **(808,737)** | **4,676,146** |
| | 2019 | 2,000,000 | 1,642,200 | 25,769 | 881,248 | 3,296,896 | 7,846,113 | (358,603) | 7,487,510 |
| Elliott Rusanow | **2020** | **1,045,000** | **577,500** | **56,116** | **–** | **–** | **1,678,616** | **–** | **1,678,616** |
| | 2019[iii] | 912,195 | 574,683 | 7,894 | – | – | 1,494,772 | – | 1,494,772 |

(i) Fixed remuneration is inclusive of statutory superannuation benefits. Both the CEO and CFO agreed to take a 20% reduction in fixed remuneration between 1 May 2020 and 31 July 2020. The STAR outcomes are based on fixed remuneration unadjusted for the 20% reduction.

(ii) Comprising annual leave and long service leave entitlements.

(iii) Appointed CFO on 4 April 2019. Remuneration reflects Mr Rusanow's period of service as executive KMP.

## 7.7 FY20 statutory remuneration of executive KMP

The table below sets out the 2020 statutory remuneration for our executive KMP. As noted above, this table includes (under share-based payments) an apportioned accounting value for all unvested performance rights granted under the STAR and LTAR plans prior to or in 2020 as well as the retention awards granted in 2020. The apportionment represents the proportion of grants that are attributable to the 2020 financial year. Further details of the accounting treatment of awards are set out in Note 31 to the financial statements. The STAR, LTAR and retention awards held by the executive KMP as at 31 December 2020 are set out in sections 7.8 and 7.9.

| | Year | Short term benefits Fixed remuneration[i] $ | Cash STAR $ | Other short term benefits[ii] $ | Share based payments[iii] Cash $ | Equity $ | Other long term benefits $ | Termination Benefits $ | Total remuneration $ |
|---|---|---|---|---|---|---|---|---|---|
| Peter Allen | **2020** | **1,900,000** | **1,155,000** | **(1,154)** | **–** | **(1,248,793)[v]** | **–** | **–** | **1,805,053** |
| | 2019 | 2,000,000 | 1,642,200 | 25,769 | – | 3,489,812 | – | – | 7,157,781 |
| Elliott Rusanow | **2020** | **1,045,000** | **577,500** | **56,116** | **–** | **26,743[vi]** | **–** | **–** | **1,705,359** |
| | 2019[iv] | 912,195 | 574,683 | 7,894 | – | 263,574 | – | – | 1,758,346 |

(i) Fixed remuneration is inclusive of statutory superannuation benefits. Both the CEO and CFO agreed to take a 20% reduction in fixed remuneration between 1 May 2020 and 31 July 2020. The STAR outcomes are based on fixed remuneration, unadjusted for the 20% reduction.

(ii) Comprising annual leave and long service leave entitlements.

(iii) Refer to the tables at sections 7.8 and 7.9 for details of rights held by executive KMP under the STAR and LTAR plans and retention awards.

(iv) Appointed as CFO on 4 April 2019. Remuneration reflects Mr Rusanow's time of service as executive KMP.

(v) Includes: (i) deferred equity under the STAR, tranche 2 of the FY17 LTAR (vested December 2020); (ii) the reversal of previously recognised remuneration in relation to the FY18 LTAR (which vested at zero in December 2020) and the FY19 LTAR the hurdle for which (ROCE 100%) which is highly likely to vest at zero in 2021; and (iii) the apportioned accounting value for unvested retention awards granted in 2020.

(vi) Includes: (i) deferred equity under the STAR, and the reversal of the previously recognised remuneration in relation to the FY19 LTAR the hurdle for which (ROCE 100%) which is highly likely to vest at zero in 2021; and (ii) the apportioned accounting value for unvested retention awards granted in 2020.

## 7.8 STAR and LTAR awards held by executive KMP

The following tables set out the STAR and LTAR awards held by the executive KMP as at 31 December 2020. The retention awards are set out in section 7.9.

### (a) STAR plan

| | Effective date of grant | No. granted | Fair value at grant[i] $ | Vesting date | % Vested |
|---|---|---|---|---|---|
| Peter Allen | 1 Jan 2018 | 201,152 | 742,251 | 15 Dec 2020 | 100 |
| | 1 Jan 2019 | 210,537 | 722,142 | 15 Dec 2021 | – |
| | 1 Jan 2020 | 216,271 | 698,555 | 15 Dec 2022 | – |
| **Total** | | **627,960** | | | |
| Elliott Rusanow[ii] | 1 Jan 2020 | 91,265 | 294,786 | 15 Dec 2022 | – |
| **Total** | | **91,265** | | | |

(i) The fair value of the rights granted under the STAR plan is calculated using the Black Scholes option pricing methodology. Fair value also assumes that the executive remains employed with the Group for the full period of vesting.

(ii) Mr Rusanow joined the Group in February 2019 and was appointed CFO on 4 April 2019. His first grant of performance rights in respect of the deferred component of his 2019 STAR was in 2020.

### (b) LTAR plan

| | Effective date of grant | No. granted | Fair value at grant[i] $ | No of rights post measurement of hurdles | Vesting date | % Vested |
|---|---|---|---|---|---|---|
| Peter Allen | 1 Jan 2017 | 406,476 | 1,434,860 | 365,828[ii] | 15 Dec 2020 | 90[ii] |
| | 1 Jan 2018 | 418,014 | 1,542,472 | – | 15 Dec 2020 | 0 |
| | | 436,733 | 1,532,933 | – | 15 Dec 2021 | 0 |
| | 1 Jan 2019 | 449,029 | 1,540,169 | N/A | 15 Dec 2021 | – |
| | | 470,574 | 1,529,366 | N/A | 15 Dec 2022 | – |
| **Total** | | **2,180,826** | | | | |
| Elliott Rusanow | Feb 2019 | 159,333 | 546,512 | N/A | 15 Dec 2021 | – |
| | | 166,977 | 542,675 | N/A | 15 Dec 2022 | – |
| **Total** | | **326,310** | | | | |

(i) The fair value of the rights issued under the LTAR plan is calculated using the Black Scholes option pricing methodology. Fair value also assumes that the executive remains employed with the Group for the full period of vesting and that the relevant performance hurdles under the LTAR plan are satisfied.

(ii) The 2017 LTAR achieved 90% for each of the ROCE and development return hurdle.

## 7.9 Retention awards

Attracting and retaining high-performing people has always been key to our ongoing success. Retention has always been a key objective of our LTAR design. However, due to the pandemic, the LTAR could not act effectively as either a motivational or a retention tool.

As announced to the ASX in September 2020, the Board issued equity-based retention awards to members of the senior leadership team, including the CEO and CFO, whose services are integral to the Group's response to the pandemic and steering a course to recovery.

In resolving to make these awards, the Board had regard to the fact that it would not proceed with the grant of the FY20 LTARs to executives and despite being on track for vesting prior to the impact of the pandemic on the Group's earnings the FY18 LTAR vested at zero and the FY19 LTAR is highly unlikely to vest in 2021. The combination of these factors, when considered alongside the pressures faced by all executive teams in responding to the pandemic and impacts on other aspects of executive remuneration, resulted in the absence of our traditional retention tools. The Board considered that this was a vulnerability that exceeded prudent risk appetite and acted accordingly. The number of the retention awards was differentiated in respect of each individual in the senior leadership team.

In aggregate 6,697,230 retention awards were issued.

The number of retention awards issued was not designed to compensate, or set by reference to value lost, but reflected an assessment of the amounts and vesting periods necessary to achieve the desired retention and motivational benefits. In setting the terms of retention awards, the Board obtained independent advice.

The retention awards have defined service periods in relation to each executive. Subject to the Board's assessment that the executive KMP have met their individual performance conditions, being satisfactory performance and contribution to the achievement of the Group's annual business plans over the service period, 50% of the awards will vest on 15 February 2023 and 50% on 15 February 2024. The service period for the CEO is from 1 September 2020 (grant date) to 15 February 2023. The service period for the CFO is from the grant date to each of the vesting dates. The circumstances where the retention awards will lapse on an executive leaving the business are set out in the table at section 7.12.

### Retention awards held by executive KMP

A retention award is a performance right under the Group's Performance Rights Plan. The following table sets out the retention awards held by the executive KMP as at 31 December 2020.

| | Effective date of grant | No. granted | Fair value at grant[i] $ | Vesting date | Vested |
|---|---|---|---|---|---|
| Peter Allen | 1 Sep 2020 | 825,000 | 1,509,750 | 15 Feb 2023 | – |
| | | 825,000 | 1,419,000 | 15 Feb 2024 | – |
| **Total** | | **1,650,000** | | | |
| Elliott Rusanow | 1 Sep 2020 | 463,049 | 847,380 | 15 Feb 2023 | – |
| | | 463,048 | 796,443 | 15 Feb 2024 | – |
| **Total** | | **926,097** | | | |

(i) The fair value of the rights issued as retention awards is calculated using the Black Scholes option pricing methodology. Fair value also assumes that the executive remains employed with the Group for the full period of vesting and that any additional vesting conditions are satisfied.

## 7.10 FY21 LTAR

The Board and management are committed to determining the optimal way to manage the impact of changing economic and business conditions as a result of the pandemic on the LTAR to ensure that it continues to be appropriately challenging for executives while recognising the role of the LTAR in acting as a retention tool and in aligning executive reward with creation of securityholder value.

For FY21 the hurdles are:

1. Return on contributed equity (ROCE, 50% weighting)
2. A newly developed Relative Total Shareholder Return (Relative TSR, 30% weighting)
3. A newly developed strategic measure hurdle (20% weighting).

As with prior years, the FY21 LTAR will be delivered as performance rights which vest in tranches at three and four years after the grant date if the performance hurdles are achieved.

The Human Resources Committee and the Board will continue to review the LTAR hurdles at appropriate intervals as the Group and the economy generally emerge from the impact of the pandemic and having regard to the need to ensure that both our STAR and LTAR continue to meet our remuneration principles and philosophy.

### ROCE

ROCE is and remains an important long-term measure of how the senior leadership team generates returns on securityholder equity through a combination of improving earnings and capital management.

The Group's ROCE is a two-factor measurement and is calculated by applying earnings for the relevant financial year as a percentage of the Group's weighted average contributed equity during the year of calculation. By combining two different performance measures, the ROCE measure is aligned to the level of returns generated on securityholder equity through a combination of improving earnings and capital management.

The ROCE hurdle, while taking into account a period of recovery and stability from the effects of the pandemic, requires a significant increase in ROCE over a three-year period from 2020 which acts as a "gateway" hurdle. The gateway hurdle will require 15-25% growth in ROCE over the three-year period.

A graduated vesting schedule across a range of Board approved ROCE growth targets will be applied to determine the actual level of vesting of awards. However, none of the components of the ROCE hurdle will vest if the minimum gateway return is not met. The potential maximum vesting is capped at 125%.

The Group does not publish details of the ROCE hurdle prior to the year of final testing as this would result in the disclosure of commercially sensitive information in connection with the Group's forecast growth in earnings and the amount of contributed equity.

### Relative TSR

The Relative TSR is based on a customised benchmarking index (Benchmarking Index) comprising domestic REITs most closely aligned to the Group's business with weightings to be based on the relative market capitalisation of the peer group. The members of the peer group include GPT, Dexus, Vicinity, Shopping Centres Australasia, Charter Hall Retail REIT and HomeCo Daily Needs REIT. The measure will compare the Group's performance relative to the Benchmarking Index. The actual outcome will be determined at the end of year three (being an aggregate of the outcomes over each year). A graduated scale of vesting will be applied relative to the Group's performance against the Benchmarking Index. The potential maximum vesting is capped at 125% for outperformance.

### Strategic measure

The strategic measure will comprise long-term goals underpinning our Customer, Retail and Brand Partners, Innovation of our Westfield Living Centres, and Investor strategies. The Board will approve stretching and quantifiable targets relating to these strategies.

## 7.11 Remuneration governance framework

Our governance framework is described below.

**Board**

Responsible for setting and overseeing the implementation of the remuneration policy

**Human Resources Committee**

Assists the Board by overseeing human resources policies and remuneration practices to ensure executives are rewarded fairly and responsibly having regard to the performance of Scentre Group.

The Committee is responsible for oversight of, and where appropriate makes recommendations to the Board on:

> Human resources strategies and practices generally, including executive remuneration policies and practices.
> Remuneration packages for the executive KMP. The Committee also reviews the CEO's recommendations on the remuneration packages for the senior leadership team.
> The Group's equity linked performance plans.
> Succession planning, capability and talent development for the senior leadership team.
> Policies that promote and support equal opportunity, diversity and inclusion within the Group.
> Termination entitlements of executive KMP.
> Fees for non-executive Directors.

The Committee is comprised of 3 independent non-executive Directors: Andrew Harmos (Chairman), Margaret Seale and Steven Leigh.

**External Advisers**

The Committee is authorised to utilise the services of specialist human resources and remuneration consultants to provide advice regarding:

> Senior executive remuneration levels.
> Market trends and benchmarking.
> Human resources policies.
> Succession planning.
> Learning and organisational development.

Protocols have also been established for the engagement of remuneration consultants and the provision of remuneration recommendations free of undue influence from management.

**Management**

Makes recommendations to the Committee regarding the Group's remuneration and human resources policies and framework.

During the year the Committee utilised the services of advisers to obtain information on the design of the retention awards and the design of the FY21 LTAR hurdles. No remuneration recommendations were made by the consultants.

### (a) Minimum securityholding

Our executive KMP and non-executive Directors are required to maintain a minimum holding of securities.

Executive KMP are required to maintain a minimum holding of securities that is equal to one year of their fixed remuneration (before tax). New executive KMP have 3 years to meet the requirement from the date of appointment. Performance rights are not included in the calculation of the minimum holding of securities.

To underpin the alignment of Directors and securityholders, non-executive Directors are required to maintain a minimum holding of securities equal to one year's base board fees. New non-executive Directors have 3 years from the date of appointment to meet this requirement.

Details of Directors' security holdings are set out in section 5.2 of the Directors' Report.

As at the date of this report, the CFO held 110,918 securities.

### (b) Approval of CEO's grant of equity-based performance rights under the STAR and LTAR

The Group is not required to seek securityholder approval to the grant of performance rights to the CEO as the Group does not issue new securities but settles the rights by the transfer of securities that have been acquired on-market. However, the Board has determined to seek securityholder approval to the grant of performance rights to be satisfied by the transfer (not issue) of securities. The proposed grant of 2021 performance rights to the CEO will be sought at the AGM on 8 April 2021.

Approval was not required nor sought for the retention awards granted to the CEO.

### (c) Consequence management: Governance

Our Code of Conduct and our DNA guide the way that our employees are expected to conduct themselves on a day to day basis and there are consequences for anyone who fails to meet these standards. Consequences include requirements to undergo further training, formal warnings and termination. In 2020 there were 40 incidents that resulted in formal consequences. In summary: 17 employees exited the business, and 17 written warnings and six verbal warnings were issued.

## 7.12 Executive KMP service agreements

As announced to the ASX in September 2020, variations were agreed to the terms of the CEO's service agreement.

Mr Allen's service agreement is a continuing agreement inherited from the Westfield Group and has been in place since 2009. His agreement pre-dated the changes to the regulation of executive termination payments under the Corporations Act 2001.

Under his service agreement, the notice period (other than for termination by cause) was for Mr Allen, 3 months and the Group, 1 month. Severance payments for termination by the Group (other than for cause) were 24 months fixed remuneration.

The Board considered the respective notice periods to be insufficient, and together with the severance payment entitlements, out of step with market practice for CEOs of ASX 30 entities. The Board accordingly determined to seek to agree appropriate variations with Mr Allen.

The amended terms now provide for a mutual 12 month notice period and a severance payment equal to 12 months fixed remuneration if Mr Allen meets the Group's retirement conditions (which remain unchanged as set out in the summary below), if Mr Allen's employment is terminated by the Group (other than for cause), or in the case of death or permanent disability.

The key terms of the service agreements for our executive KMP are summarised below.

| Service Agreement | Term |
|---|---|
| Contract term | No fixed term |
| Notice period by employee and employer | CEO: 12 months<br>Employer: 12 months<br>CFO: 3 months<br>Employer: 1 month |
| Details of any post-employment restraints | Where permitted by law, the Group imposes a requirement that, following retirement, the executive complies with certain continuing non-compete obligations which, if not satisfied, will result in forfeiture of all unvested rights.<br>In respect of Mr Allen, to obtain the benefit of the retirement provisions (as outlined in the summary below), he must enter into a 2 year (previously 1 year) post-employment non-compete agreement (containing additional non-solicitation and confidentiality obligations). |

Set out below is a summary of termination payments and the treatment of the STAR / LTAR and retention awards on an executive KMP leaving the Group's employment. The provisions of the service agreements are subject to the Corporations Act 2001. In certain circumstances, payment of the entitlements summarised below may require the approval of securityholders.

| Event | Termination payment | Treatment of STAR (cash) | Treatment of STAR and LTAR (deferred equity) | Treatment of retention awards (deferred equity) |
|---|---|---|---|---|
| Resignation and termination for cause | > Accrued statutory entitlements | > CEO: Payment of a pro-rata bonus for the relevant year for resignation<br>> CFO: Payment of a pro-rata bonus for the relevant year may be considered for resignation | > All unvested entitlements under the Group's performance rights plan will lapse | > All unvested retention awards will lapse |
| Redundancy or termination by the Group (other than for cause) | > Accrued statutory entitlements<br>> CEO: Payment of 12 months fixed remuneration<br>> CFO: Payment of a maximum of 11 months fixed remuneration | > Pro-rata performance bonus to the date of termination | Excluding any rights that have lapsed because of a failure to meet a performance hurdle, where redundancy or termination occurs:<br>> Within 6 months of the grant date, all performance rights will lapse<br>> Within one year prior to the end of the performance period, all performance rights will vest<br>> Earlier than one year prior to the end of the performance period, the performance rights will vest on a pro rata basis. That is, the portion of the performance rights will lapse as represents the proportion that the period from the date the participant ceases to be an executive to the end of the performance period bears to the period from the grant date to the end of the performance period | Excluding any awards that have lapsed because of a failure to meet a performance hurdle, where redundancy or termination occurs:<br>> Within 6 months of the grant date, all retention awards will lapse<br>> Within one year prior to the end of the retention period, all retention awards will vest<br>> Earlier than one year prior to the end of the retention period, the retention awards will vest on a pro rata basis. That is, the portion of the retention awards will lapse as represents the proportion that the period from the date the participant ceases to be an executive to the end of the retention period bears to the period from the grant date to the end of the retention period |
| Death or permanent disability | > Accrued statutory entitlements<br>> CEO: Payment of 12 months fixed remuneration | > Pro-rata performance bonus to the date of termination | > Full vesting of outstanding performance rights (excluding any rights which lapsed because of a failure to satisfy a performance hurdle) | > The retention awards will vest on a pro-rata basis. That is, the portion of the retention awards will lapse as represents the proportion that the period from the date the participant ceases to be an executive to the end of the retention period bears to the period from the grant date to the end of the retention period |
| Retirement<br>(provided an executive has reached the age of 55 years or the aggregate of the age of the participant and the number of years in service is equal to or greater than 70 and, in each case, the executive has at least 5 years continuous service | > Accrued statutory entitlements<br>> CEO: Payment of 12 months fixed remuneration<br>> CFO: The Board retains the discretion to pay up to 12 months fixed remuneration in recognition of past services rendered | > Pro-rata performance bonus to the date of termination | > The executive will continue in the plans until the date of vesting in respect of performance rights granted at least 6 months prior to the date of termination (excluding any rights which lapsed because of a failure to satisfy a performance hurdle)<br>> In circumstances where continued participation in the plan is not permitted under the terms of the plan, the executive is entitled to a cash payment from the Group equivalent to the amount that would have been received had the executive been permitted to continue in the plan | Where an executive retires:<br>> Prior to the expiry of the retention period, all unvested retention awards will lapse<br>> After the expiry of the retention period, the retention awards will be eligible to vest on the vesting dates |

## 7.13 Non-executive Director fees

The remuneration of the non-executive Directors is determined by the Board (within a total limit set by securityholders) acting on recommendations made by the Human Resources Committee. In making recommendations to the Board, the Human Resources Committee considers independent advice on trends in non-executive director remuneration.

The aggregate pool available for payment of fees to non-executive Directors is currently $3.5 million. At the date of this report, actual aggregate fees are $2,260,177.

Non-executive Director remuneration comprises a base fee (which is inclusive of superannuation guarantee contributions) and where relevant, a Committee fee, with a higher fee for the role of Committee chair. Reimbursement is made for out of pocket expenses. No other bonuses or benefits are paid either during the tenure of a non-executive Director or on retirement. Non-executive Directors do not participate in the Group's STAR or LTAR plans.

| **Board fees** | Chairman | Non-executive Director |
|---|---|---|
| Board | $717,500 | $210,125 |

| **Committee Fees** | Chairman | Committee member |
|---|---|---|
| Audit and Risk Committee | $60,000 | $40,000 |
| Human Resources Committee | $60,000 | $40,000 |
| Nomination Committee | $15,000 | $10,000 |

The base Board fee paid to the Chairman is inclusive of Committee fees. The Chairman is also Chair of the Nomination Committee for which he does not receive a Committee Chair fee. The fees paid to the non-executive Directors for 2020 are set out below.

Due to the economic impact on our securityholders, customers, retail partners and communities arising from the pandemic, the Board considered that no changes should be made to Board or Committee fees for 2021.

| | Year | Total Fees[i] $ |
|---|---|---|
| **Non-executive Director** | | |
| Brian Schwartz | **2020** | **681,625** |
| | 2019 | 717,500 |
| Andrew Harmos | **2020** | **269,619** |
| | 2019 | 280,125 |
| Michael Ihlein | **2020** | **269,619** |
| | 2019 | 280,125 |
| Carolyn Kay | **2020** | **239,619** |
| | 2019 | 250,125 |
| Aliza Knox (retired 8 April 2020)[ii] | **2020** | **67,307** |
| | 2019 | 245.125 |
| Steven Leigh[iii] | **2020** | **239,619** |
| | 2019 | 156,011 |
| Guy Russo (appointed 1 September 2020) | **2020** | **70,042** |
| | 2019 | – |
| Margaret Seale | **2020** | **279,619** |
| | 2019 | 285,125 |
| Michael Wilkins (appointed 8 April 2020) | **2020** | **143,108** |
| | 2019 | – |

(i) The Board agreed to take a 20% reduction in base Board fees for a three-month period between 1 May 2020 – 31 July 2020.

(ii) Ms Knox was also a member of the Human Resources Committee.

(iii) Mr Leigh was appointed on 4 April 2019. He was appointed as a member of the Human Resources Committee effective 1 January 2020.

(iv) Mr Steven Lowy retired from the Board on 4 April 2019. His fees for the period from 1 January 2019 – 4 April 2019 were $54,114.

## 7.14 Performance rights plan: summary

The Group’s Performance Rights Plan governs the grant of deferred equity under the STAR and LTAR plans as well as the retention awards granted in 2020. The common features are outlined below as well as features of the Group’s STAR and LTAR.

| Element | Description |
|---|---|
| What is the purpose of the STAR plan? | The STAR is designed as annual at-risk remuneration. Underperformance and failure to achieve KPIs results in reduction of awards under the STAR. The STAR is delivered through a combination of cash and performance rights. 70% of the achieved STAR is paid in cash following the end of the year of grant and 30% of the achieved STAR is delivered as performance rights which (subject to service requirements) vest at the end of year 3 after the grant date. |
| Who is eligible to participate in the STAR Plan? | The STAR is a broader based plan than the LTAR. Executive KMP, other members of the senior leadership team and high performing executives participate in the STAR. |
| What is the maximum STAR opportunity as a percentage of fixed remuneration? | The maximum STAR opportunity for each executive KMP is 150% of fixed remuneration. |
| What is the purpose of the LTAR plan? | The LTAR which rewards long term performance is delivered as performance rights which vest in tranches (50% at the end of year 3 and 50% at the end of year 4) if performance hurdles and service requirements are achieved. |
| Who is eligible to participate in the LTAR plan? | Only executive KMP and members of the senior leadership team participate in the LTAR. |
| What is the LTAR grant opportunity as a percentage of fixed remuneration? | CEO: 155% and CFO: 100% |
| What are the performance measures for the LTAR? (pre-2021) | The LTAR performance measures are ROCE (75% – 100% weighting) and development return hurdle (0% – 25%).<br>**ROCE**<br>The Group’s ROCE is a two-factor measurement and is calculated by applying FFO for the relevant financial year as a percentage of the Group’s weighted average contributed equity during the year.<br>By combining two different performance measures, the ROCE calculation is aligned to the level of returns generated on securityholder equity through a combination of improving earnings and capital management.<br>The ROCE hurdle operates on a graduated scale which is approved by the Board prior to awards being granted under the plan. Performance against the ROCE hurdle will be measured by reference to ROCE achieved in year 3 of the vesting period. Achievement of the ROCE component of the LTAR is measured at the end of year 3. The Group does not publish details of the ROCE hurdle prior to the year in which it is tested (year 3) as this would result in the disclosure of commercially sensitive information in connection with the Group’s forecast of growth in FFO and the amount of contributed equity.<br>The hurdle will be achieved at 100% if the target ROCE is met.<br>**Development Return Hurdle**<br>The development return hurdle is designed to measure the actual incremental yield that has been generated through the completion of major developments (over $50 million) compared to Board approved feasibilities.<br>Major developments that commenced in the relevant year have Board approved feasibilities including the annual impact of the forecast incremental NOI. The forecast incremental NOI for these projects in the year of measurement will be aggregated and a yield calculated based on the Board approved development cost for the projects.<br>At the end of the year of measurement, the actual incremental NOI from these projects will be aggregated and a yield calculated based on the actual development cost. These two yields will then be compared and, based on a graduated table, the percentage of LTAR that will vest will be calculated. The hurdle will be achieved at 100% if the forecast yield is met. The hurdle allows for incremental increases and decreases depending on actual achieved yield.<br>Achievement below forecast yield will result in a reduction of the percentage of vesting. |
| Can LTAR grants be increased in light of performance conditions? | As noted above, the number of securities that will be delivered on vesting is based on a graduated scale dependent on performance against metrics set at the time of grant. Actual performance can result in a decrease to zero or an increase in the number of securities that can be delivered on vesting, subject to a cap. |
| What is a retention award? | One retention award equals one performance right under the Performance Rights Plan. On vesting of a retention award, the executive is entitled to receive at the election of the Group and for no further consideration, either: (a) a Scentre Group security; or (b) a cash payment to the same value, for each retention award that vests. |
| Are there common rules under the STAR plan and LTAR plan? | Yes. The Group’s Performance Rights Plan governs the grants of awards of deferred equity under the STAR and LTAR plans as well as the retention awards granted in 2020.<br>Having a common set of rules enables the grant of deferred equity under those plans to be administered on a consistent basis across participating executives. |

| Element | Description |
|---|---|
| What are the mechanics of the Performance Rights Plan? | Under the Performance Rights Plan, on vesting, the executive is entitled to receive for no further consideration Scentre Group securities or a cash equivalent (at the election of the Group).<br>The relevant common features of the STAR and LTAR plans are as follows:<br>> based on principles and remuneration bands approved by the Board, participating executives earn the opportunity to participate in a plan and are informed of a dollar amount in relation to their participation at the beginning of each financial year in which they are offered participation.<br>> the number of rights to be allocated under the STAR and LTAR is determined using the face value of Scentre Group securities, adjusted for the estimated value (based on the Group's published 1-year forecast) of distributions that may be paid on stapled securities during the vesting period.<br>> assuming the executive remains employed by the Group through the vesting period and any applicable performance hurdles are satisfied, the executive will receive either Scentre Group securities or a cash pay-out equal to the capital value of the securities represented by the rights. |
| Are distributions paid on unvested rights during the vesting period? | Participants in the Performance Rights Plan only receive distributions on securities following vesting. As noted above, the number of rights to be allocated under the STAR and LTAR is determined using the face value of Scentre Group securities, adjusted for the estimated value (based on the Group's published 1-year forecast) of distributions that may be paid on stapled securities during the vesting period. No subsequent adjustments are made to take into account actual distributions paid. |
| How are securities delivered under the Performance Rights Plan? | The Group does not issue new securities. Where performance rights (including retention awards) are settled with securities, the Group does so by transferring to an executive securities that have been acquired on-market. |
| What happens if an executive KMP leaves the Group? | These arrangements are described in section 7.12. |
| What happens if there is a change of control? | Performance rights do not vest automatically as a consequence of a control transaction or a corporate restructuring. In relation to control transactions, the Board retains the discretion to accelerate the vesting date for rights issued under the plans in such circumstances. |
| Are there any clawback or malus provisions for at-risk remuneration? | The plans contain provisions for the lapsing of unvested rights in several circumstances including if an executive engages in any act or omission constituting serious misconduct or where the Group forms the opinion, based on reasonable grounds, that the executive has committed any fraud, dishonesty or defalcation in relation to the Group or where the executive engages in other conduct which in the reasonable opinion of the Group will prejudice or injure the reputation of the executive or the reputation or business of any Group member. |
| Are there any other forfeiture events? | Unvested performance rights will also lapse in the event of a participant:<br>> resigning or being terminated for cause;<br>> becoming bankrupt or committing an act of bankruptcy; or<br>> failing to comply with a "Competition and Confidentiality Condition" (being standard confidentiality, non-compete and non-solicitation conditions). |
| What is the hedging policy? | Participants in the plans are prohibited from entering into hedging arrangements in respect of unvested rights (or rights the subject of a holding lock) in any plan. |

## 7.15 Prior executive KMP

The table below sets out the prior year comparative remuneration of executives who ceased to be executive KMP in 2019.

| | Short term benefits | | | Share based payments(iii) | | | | |
|---|---|---|---|---|---|---|---|---|
| Executive | Fixed remuneration $ | Cash STAR $ | Other short term benefits $ | Cash $ | Equity $ | Other long term benefits $ | Termination Benefits $ | Total remuneration $ |
| Mark Bloom(i) | 283,287 | 373,424 | 22,173 | – | 959,025 | – | 283,287 | 1,921,196 |
| Greg Miles(ii) | 1,187,672 | 872,939 | 13,704 | – | 3,557,581 | – | – | 5,631,896 |
| Cynthia Whelan(iii) | 717,261 | 650,268 | – | – | – | – | 717,261 | 2,084,790 |
| | 2,188,220 | 1,896,631 | 35,877 | | 4,516,606 | | 1,000,548 | 9,637,882 |

(i) Mr Mark Bloom ceased as executive KMP on 4 April 2019 and retired from the Group on 1 January 2020. All remuneration reflects Mr Bloom's time of service as executive KMP from 1 January 2019 to 4 April 2019.

(ii) Mr Greg Miles ceased as executive KMP on 16 October 2019 and retired 1 October 2020. All remuneration reflects Mr Miles' time of service as executive KMP from 1 January 2019 to 16 October 2019.

(iii) Ms Cynthia Whelan was an executive KMP between 19 February 2019 to 14 October 2019. All remuneration reflects Ms Whelan's time of service as executive KMP from 19 February 2019 to 14 October 2019.

# 8. ASIC Disclosures

## 8.1 Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, the amounts shown in the Directors' Report, the Financial Statements and Notes to the Financial Statements have been rounded to the nearest tenth of a million dollars, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than $50,000 that have been rounded down.

## 8.2 Synchronisation of financial year

Carindale Property Trust is a consolidated entity of the Company and has a financial year ending on 30 June. By an order dated 27 June 2005 made by the Australian Securities and Investments Commission, the Directors of the Company have been relieved from compliance with the requirement to ensure that the financial year of Carindale Property Trust coincides with the financial year of the Company.

# 9. ASX Listing

ASX reserves the right (but without limiting its absolute discretion) to remove Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 from the official list of the ASX if any of the shares or units comprising those stapled securities cease to be stapled together, or any equity securities are issued by a Scentre Group entity which are not stapled to the equivalent securities in the other entities.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

**Brian Schwartz AM**
Chairman

**Michael Ihlein**
Director

24 February 2021

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# Independent Auditor's Report

## To the members of Scentre Group Limited

## Report on the audit of the financial report

### Opinion

We have audited the financial report of Scentre Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

*1. Shopping Centre Investment Property Portfolio – Carrying values and revaluations*

**Why significant**

The Group holds economic interests in shopping centre investment properties which are carried at a fair value of $34.1 billion at 31 December 2020. These include shopping centres recorded directly in the consolidated balance sheet as investment properties and indirectly through equity accounted investments as disclosed in Note 2 of the financial report. Collectively they represent 89% of total assets.

Fair values were determined by the Group at the end of the reporting period with reference to external independent property valuations and market conditions existing at the reporting date. Changes in fair value are recognised in the income statement.

We considered this to be a key audit matter as property valuations are based on certain assumptions, such as capitalisation rates, market rent, occupancy levels, re-leasing and capital expenditure, which are judgmental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation.

**Impact of COVID-19 on investment property values**

Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case.

The disclosures in the financial report provide particularly important information about the assumptions made in the investment property valuations and market conditions at 31 December 2020.

The financial report describes the material valuation uncertainty and the impact of the COVID-19 pandemic on the determination of fair value of investment properties and how this has been considered by the directors in the preparation of the financial report at 31 December 2020. Due to the material valuation uncertainty arising from COVID-19 pandemic, investment property values may change significantly and unexpectedly over a relatively short period of time.

We draw attention to Notes 4 and 5 of the financial report which discloses the accounting policy for these assets, the material uncertainty and impact of the COVID-19 pandemic as well as the sensitivity of these valuations to changes in key assumptions.

**How our audit addressed the key audit matter**

Our audit procedures included the following for both properties held directly and through equity accounted investments:

- We discussed the following matters with management:
  - Movements in the Group's investment property portfolio;
  - Changes in the condition of each property, including an understanding of key developments and changes to development activities;
  - The impact that COVID-19 has had on the Group's investment property portfolio including rental waivers and deferrals offered to tenants and tenant occupancy risk from changes in the estimated lease renewals.
- We assessed the effectiveness of the Group's controls over the leasing process and associated schedule of tenancy reports which are used as source data in the property valuations by testing a sample of the relevant controls.
- On a sample basis, we performed the following procedures:
  - We assessed net income, lease expiry and vacancy assumptions adopted in the valuation to the schedule of tenancy reports, lease expiry profile and vacancy levels of the underlying asset in considering the reasonableness of the assumptions adopted in the valuation, including re-leasing and capital expenditure requirement assumptions. Where available we corroborated these assumptions to supporting lease documentation or external market data.
  - Assessed whether changes to lease arrangements as a result of COVID-19 had been factored into the valuations and that changes in tenant occupancy risk were also considered.
  - Tested the mathematical accuracy of valuations.
- We involved our real estate valuation specialists to assist with:
  - the assessment of capitalisation rates adopted across the portfolio; and
  - the review and assessment of the property valuations for a sample of properties based on size, geographical location and other property valuation specific risk factors.
- We evaluated the suitability of the valuation methodology used across the portfolio. We considered the reports of independent valuers and held discussions with them, where appropriate, to gain an understanding of the assumptions and estimates used and the valuation methodology applied. This included the impact that COVID-19 has had on key assumptions such as the capitalisation, discount or growth rates and future forecast rentals. We have also considered the 'material valuation uncertainty' disclosure included in independent valuation reports and any other restrictions imposed on the valuation process (if any) and the market conditions at balance date.
- Where relevant we assessed the reasonableness of comparable transactions utilised by the Group in the valuation process.
- We assessed the qualifications, competence and objectivity of the external valuers used by the Group.
- We considered whether there have been any indicators of material changes in property valuations from 31 December 2020 up to the date of our opinion or any matters emerging since 31 December 2020 which provide evidence of a material change in valuation at that date. We involved our real estate valuation specialists to assist in making this assessment.
- We assessed the appropriateness of disclosures included in Note 5 of the financial report, in particular those relating to the material valuation uncertainty of investment property portfolio.

*2. Carrying value of trade receivables*

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As at 31 December 2020, the Group held $475.5 million in trade debtors, and $282.4 million allowance for expected credit losses. Trade debtors primarily comprise amounts due from tenants of the Group's investment properties under lease agreements, less an allowance for expected credit losses.<br>The Group applies Australian Accounting Standard – AASB 9 *Financial Instruments* in calculating the allowance for expected credit losses, applying a forward-looking expected loss impairment model. This involves significant judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions.<br>The recoverability of trade debtors is considered a key audit matter due to the value of uncollected rental income at 31 December 2020 and the significant judgement required in determining the allowance for expected credit losses.<br>The continued uncertainty in the economic environment and the uncertain outcome of rental assistance negotiations with tenants have contributed to significant estimation uncertainty in determining the allowance for expected credit losses at 31 December 2020.<br>We draw attention to Note 3 of the financial report which describes the impact of the COVID-19 pandemic on trade debtors and the related allowance for expected credit losses and how this has been considered by the directors in the preparation of the financial report at 31 December 2020. In the event the impact of COVID-19 varies from conditions anticipated at balance date, this may result in a change in the expected credit loss provision in future periods. | Our audit procedures included the following:<br>– Assessed the effectiveness of relevant controls in relation to tenant lease arrangements.<br>– Tested the existence of trade debtors for a sample of tenant balances.<br>– We assessed management's risk assessment of tenants across the portfolio and their expectation around future collections with reference to rental assistance arrangements agreed with tenants. We assessed the impact of such arrangements against broader debtor groups and reviewed cash collections after year end in assessing future collectability of trade debtors balances.<br>– Evaluated the key assumptions applied in calculating expected credit losses for a sample of tenants.<br>– We assessed whether forward-looking information as well as tenant related risk profiles were considered in the expected credit loss model.<br>– We assessed whether the methodology used in the determination of expected credit losses was consistent with the principles of AASB 9 and tested the accuracy of data and mathematical calculations within the model.<br>– Assessed the adequacy of the Group's disclosures in relation to the valuation uncertainty of trade debtors included in the financial report, including the assumptions, estimations and judgements made in calculating the allowance for expected credit losses. |

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 53 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Scentre Group Limited for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young    Megan Wilson

**Ernst & Young**

**Megan Wilson**
Partner

Sydney, 24 February 2021

Liability limited by a scheme approved under Professional Standards Legislation.

# Financial Statements

# Income Statement

## For the year ended 31 December 2020

| | Note | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|---|
| **Revenue** | | | |
| Property revenue | | **1,983.2** | 2,160.9 |
| Property development and construction revenue | | **127.9** | 396.8 |
| Property management income | | **51.2** | 58.7 |
| | | **2,162.3** | 2,616.4 |
| **Expenses** | | | |
| Property expenses, outgoings and other costs | | **(449.3)** | (476.3) |
| Property development and construction costs | | **(124.2)** | (315.9) |
| Property management costs | | **(10.2)** | (10.0) |
| Overheads | | **(77.2)** | (88.1) |
| | | **(660.9)** | (890.3) |
| **Share of after tax profits/(loss) of equity accounted entities** | | | |
| Property revenue | | **222.8** | 217.3 |
| Property expenses, outgoings and other costs | | **(55.2)** | (53.5) |
| Net interest income | | **–** | 0.1 |
| Expected credit charge relating to COVID-19 | | **(31.9)** | – |
| Property revaluations | | **(423.4)** | (32.6) |
| Tax expense | | **(6.8)** | (11.4) |
| | 6(a) | **(294.5)** | 119.9 |
| Interest income | | **6.3** | 4.6 |
| Currency gain | 12 | **62.4** | 15.4 |
| Financing costs | 13 | **(919.3)** | (622.8) |
| Gain in respect of capital transactions | 14 | **–** | 120.6 |
| Expected credit charge relating to COVID-19 | 3(b) | **(272.0)** | – |
| Property revaluations | | **(3,830.8)** | (119.3) |
| **Profit/(loss) before tax** | | **(3,746.5)** | 1,244.5 |
| Tax expense | 7(a) | **(25.5)** | (56.9) |
| **Profit/(loss) after tax for the period** | | **(3,772.0)** | 1,187.6 |
| **Profit/(loss) after tax for the period attributable to:** | | | |
| – Members of Scentre Group | | **(3,731.8)** | 1,179.5 |
| – External non controlling interests | | **(40.2)** | 8.1 |
| Profit/(loss) after tax for the period | | **(3,772.0)** | 1,187.6 |
| **Earnings/(loss) per stapled security attributable to members of Scentre Group** | | **cents** | cents |
| Basic earnings/(loss) per stapled security | 11(a) | **(71.92)** | 22.30 |
| Diluted earnings/(loss) per stapled security | 11(a) | **(71.92)** | 22.23 |

# Statement of Comprehensive Income

## For the year ended 31 December 2020

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **Profit/(loss) after tax for the period** | **(3,772.0)** | 1,187.6 |
| **Other comprehensive income/(loss)** | | |
| *Movement in foreign currency translation reserve* [(i)] | | |
| – Realised and unrealised differences on the translation of investment in foreign operations | **(13.1)** | 3.1 |
| **Total comprehensive income/(loss) for the period** | **(3,785.1)** | 1,190.7 |
| **Total comprehensive income/(loss) attributable to:** | | |
| – Members of Scentre Group [(ii)] | **(3,744.9)** | 1,182.6 |
| – External non controlling interests | **(40.2)** | 8.1 |
| Total comprehensive income/(loss) for the period | **(3,785.1)** | 1,190.7 |

(i) This may be subsequently transferred to the profit and loss. In relation to the foreign currency translation reserve, the portion relating to the foreign operations held by SGT1, SGT2 and SGT3 may be transferred to the profit and loss depending on how the foreign operations are sold.

(ii) Total comprehensive income/(loss) attributable to members of Scentre Group comprises $64.8 million income (31 December 2019: $172.8 million income) attributable to SGL members and $3,809.7 million loss (31 December 2019: $1,009.8 million income) attributable to SGT1, SGT2 and SGT3 members.

Total comprehensive loss attributable to members of SGT1, SGT2 and SGT3 consists of loss after tax for the period of $3,797.7 million (31 December 2019: income of $1,007.0 million) and realised and unrealised differences on the translation of investment in foreign operations of $12.0 million (31 December 2019: income of $2.8 million).

# Balance Sheet

## As at 31 December 2020

| | Note | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 15(a) | **378.1** | 253.0 |
| Short term deposits at bank | 15(a) | **2,222.8** | – |
| Trade debtors | 3 | **170.4** | 40.0 |
| Receivables | 3 | **48.1** | 124.3 |
| Interest receivable | | **167.4** | 104.2 |
| Derivative assets | 18(a) | **9.9** | 94.6 |
| Other current assets | | **47.6** | 62.9 |
| **Total current assets** | | **3,044.3** | 679.0 |
| **Non current assets** | | | |
| Trade debtors | 3 | **7.6** | – |
| Investment properties | 4 | **31,214.0** | 34,855.3 |
| Equity accounted investments | 6(b) | **2,779.0** | 3,184.6 |
| Derivative assets | 18(a) | **721.9** | 907.2 |
| Plant and equipment | | **51.8** | 46.7 |
| Deferred tax assets | 7(b) | **34.0** | 32.7 |
| Right-of-use asset | 32(a) | **81.3** | 82.4 |
| Other non current assets | | **130.2** | 95.5 |
| **Total non current assets** | | **35,019.8** | 39,204.4 |
| **Total assets** | | **38,064.1** | 39,883.4 |
| **Current liabilities** | | | |
| Trade creditors | | **264.2** | 307.6 |
| Payables and other creditors | | **489.2** | 472.6 |
| Interest payable | | **293.7** | 199.3 |
| Interest bearing liabilities | | | |
| – Senior borrowings | 16 | **1,492.6** | 1,713.6 |
| Other financial liabilities | 17 | **240.2** | – |
| Tax payable | | **17.8** | 8.9 |
| Lease liabilities | 32(b) | **12.0** | 9.7 |
| Derivative liabilities | 18(b) | **40.4** | 15.8 |
| **Total current liabilities** | | **2,850.1** | 2,727.5 |
| **Non current liabilities** | | | |
| Payables and other creditors | | **24.8** | 31.7 |
| Interest bearing liabilities | | | |
| – Senior borrowings | 16 | **10,288.6** | 12,106.1 |
| – Subordinated notes | 16 | **3,894.6** | – |
| Other financial liabilities | 17 | **372.5** | 689.0 |
| Deferred tax liabilities | 7(c) | **89.4** | 104.1 |
| Lease liabilities | 32(b) | **119.5** | 120.1 |
| Derivative liabilities | 18(b) | **1,430.2** | 557.0 |
| **Total non current liabilities** | | **16,219.6** | 13,608.0 |
| **Total liabilities** | | **19,069.7** | 16,335.5 |
| **Net assets** | | **18,994.4** | 23,547.9 |
| **Equity attributable to members of Scentre Group** | | | |
| Contributed equity | 19(b) | **9,990.8** | 10,164.0 |
| Reserves | 20 | **104.1** | 118.3 |
| Retained profits | 21 | **8,733.5** | 13,056.3 |
| **Total equity attributable to members of Scentre Group** | | **18,828.4** | 23,338.6 |
| **Equity attributable to external non controlling interests** | | | |
| Contributed equity | | **70.3** | 70.3 |
| Retained profits | | **95.7** | 139.0 |
| **Total equity attributable to external non controlling interests** | | **166.0** | 209.3 |
| **Total equity** | | **18,994.4** | 23,547.9 |

# Statement of Changes in Equity

## For the year ended 31 December 2020

| | **Contributed Equity $million** | **Reserves $million** | **Retained Profits $million** | **31 Dec 20 Total $million** | Contributed Equity $million | Reserves $million | Retained Profits $million | 31 Dec 19 Total $million |
|---|---|---|---|---|---|---|---|---|
| **Changes in equity attributable to members of Scentre Group** | | | | | | | | |
| Balance at the beginning of the period | **10,164.0** | **118.3** | **13,056.3** | **23,338.6** | 10,465.1 | 108.7 | 13,063.9 | 23,637.7 |
| – Profit/(loss) after tax for the period (i) | **–** | **–** | **(3,731.8)** | **(3,731.8)** | – | – | 1,179.5 | 1,179.5 |
| – Other comprehensive income/(loss) (i) (ii) | **–** | **(13.1)** | **–** | **(13.1)** | – | 3.1 | – | 3.1 |
| Transactions with owners in their capacity as owners | | | | | | | | |
| – Movement in contributed equity (iii) | **(173.2)** | **–** | **–** | **(173.2)** | (301.1) | – | – | (301.1) |
| – Movement in employee share plan benefits reserve | **–** | **(1.1)** | **–** | **(1.1)** | – | 6.5 | – | 6.5 |
| – Dividends/distributions paid or provided for | **–** | **–** | **(591.0)** | **(591.0)** | – | – | (1,187.1) | (1,187.1) |
| **Closing balance of equity attributable to members of Scentre Group** | **9,990.8** | **104.1** | **8,733.5** | **18,828.4** | 10,164.0 | 118.3 | 13,056.3 | 23,338.6 |
| **Changes in equity attributable to external non controlling interests** | | | | | | | | |
| Balance at the beginning of the period | **70.3** | **–** | **139.0** | **209.3** | 75.9 | – | 152.2 | 228.1 |
| – Profit/(loss) after tax for the period attributable to external non controlling interests (i) | **–** | **–** | **(40.2)** | **(40.2)** | – | – | 8.1 | 8.1 |
| – Distributions paid or provided for | **–** | **–** | **(3.1)** | **(3.1)** | – | – | (9.9) | (9.9) |
| – Decrease in external non controlling interest | **–** | **–** | **–** | **–** | (5.6) | – | (11.4) | (17.0) |
| **Closing balance of equity attributable to external non controlling interests** | **70.3** | **–** | **95.7** | **166.0** | 70.3 | – | 139.0 | 209.3 |
| **Total equity** | **10,061.1** | **104.1** | **8,829.2** | **18,994.4** | 10,234.3 | 118.3 | 13,195.3 | 23,547.9 |

(i) Total comprehensive loss for the period amounts to $3,785.1 million (31 December 2019: income of $1,190.7 million).

(ii) Movement in reserves attributable to members of SGT1, SGT2 and SGT3 comprises realised and unrealised differences on the translation of investment in foreign operations of $12.0 million (31 December 2019: income of $2.8 million).

(iii) Movement in contributed equity comprises the buy-back and cancellation of securities and associated costs of $174.9 million (31 December 2019: $303.6 million) offset by the impact of securities transferred to executives and which were previously held by the Scentre Executive Option Plan Trust of $1.7 million (31 December 2019: $2.5 million).

# Cash Flow Statement

## For the year ended 31 December 2020

| | Note | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts in the course of operations (including Goods and Services Tax (GST)) | | **2,136.0** | 2,931.3 |
| Payments in the course of operations (including GST) | | **(684.3)** | (962.2) |
| Dividends/distributions received from equity accounted entities | | **58.8** | 107.8 |
| Net operating cash flows retained by equity accounted entities [i] | | **52.1** | 22.7 |
| Income and withholding taxes paid | | **(24.1)** | (41.0) |
| GST paid [i] | | **(173.7)** | (219.7) |
| Payments of financing costs (excluding interest capitalised) | | **(600.2)** | (520.2) |
| Interest received | | **6.3** | 4.6 |
| **Net cash inflow from operating activities – proportionate [i] [ii]** | | **770.9** | 1,323.3 |
| Less: net operating cash flows retained by equity accounted entities | | **(48.1)** | (22.6) |
| Less: GST paid on outstanding trade debtors – proportionate [iii] | | **(38.2)** | (0.2) |
| **Net cash inflow from operating activities** | 15(b) | **684.6** | 1,300.5 |
| **Cash flows from investing activities** | | | |
| Capital expenditure | | **(274.6)** | (335.4) |
| Proceeds from the sale of assets | | **–** | 2,098.5 |
| Payments relating to the sale of assets | | **(9.1)** | (49.9) |
| Tax paid on the sale of assets | | **–** | (2.8) |
| Acquisition of investment properties | | **–** | (624.8) |
| Acquisition of listed securities | | **–** | (12.9) |
| Net outflows for investments in equity accounted entities | | **(33.8)** | (216.3) |
| Purchase of plant and equipment | | **(21.4)** | (22.7) |
| Financing costs capitalised to qualifying development projects and construction in progress | | **(17.7)** | (21.6) |
| **Net cash inflow/(outflow) from investing activities** | | **(356.6)** | 812.1 |
| **Cash flows from financing activities** | | | |
| Buy-back of securities and associated costs | | **(174.9)** | (303.6) |
| Proceeds from the issuance of subordinated notes | 15(c) | **4,109.6** | – |
| Cancellation of derivatives following the issuance of subordinated notes | | **(204.3)** | – |
| Short term deposits at bank | 15(c) | **(2,218.0)** | – |
| Net repayment of senior borrowings | 15(c) | **(1,107.8)** | (559.8) |
| Net repayment of lease liabilities | | **(10.8)** | (5.0) |
| Dividends/distributions paid | | **(591.0)** | (1,187.1) |
| Distributions paid by controlled entities to external non controlling interests | | **(4.7)** | (10.2) |
| **Net cash outflow from financing activities** | | **(201.9)** | (2,065.7) |
| Net increase in cash and cash equivalents held | | **126.1** | 46.9 |
| Add opening cash and cash equivalents brought forward | | **253.0** | 206.1 |
| Effects of exchange rate changes on cash and cash equivalents | | **(1.0)** | – |
| **Cash and cash equivalents at the end of the period [iv]** | 15(a) | **378.1** | 253.0 |

(i) Excludes GST received/(paid) on outstanding trade debtors.

(ii) Proportionate cash flows from operating activities includes operating cash flows from consolidated and equity accounted entities.

(iii) GST paid on outstanding trade debtors comprise $34.2 million from consolidated entities (31 December 2019: $0.1 million) and $4.0 million from equity accounted entities (31 December 2019: $0.1 million).

(iv) Cash and cash equivalents comprise cash of $378.1 million (31 December 2019: $253.0 million) net of bank overdraft of nil (31 December 2019: nil).

# Index of Notes to the Financial Statements

## For the year ended 31 December 2020

# Notes to the Financial Statements

For the year ended 31 December 2020

## Note 1 Basis of preparation of the Financial Report

### (a) Corporate information

This financial report of Scentre Group (Group), comprising Scentre Group Limited (Parent Company) and its controlled entities, for the year ended 31 December 2020 was approved in accordance with a resolution of the Board of Directors of the Parent Company.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

### (b) Accounting for the Group

Scentre Group was established on 30 June 2014 by the stapling of securities of each of the Parent Company, Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3). The securities trade as one security on the Australian Securities Exchange (ASX) under the code SCG. The stapling transaction is referred to as the "Merger".

As a result of the securities being stapled and therefore cannot be traded separately, this financial report has been prepared based on a business combination of the Parent Company, SGT1, SGT2 and SGT3. The Parent Company for accounting purposes has control of SGT1, SGT2 and SGT3 and accordingly consolidates SGT1, SGT2 and SGT3 and their respective controlled entities.

### (c) Impact of the COVID-19 pandemic

On 11 March 2020, the World Health Organisation declared the outbreak of the COVID-19 virus a pandemic. Both Australia and New Zealand experienced an outbreak of the virus, and the governments of both countries implemented a number of measures, including significant restrictions on people movement and activity. This impacted the Group's operations and financial results for the year ended 31 December 2020.

Additional disclosures relating to the impact of the COVID-19 pandemic have been included in the relevant notes to the financial statements, including Note 2: Segment reporting, Note 3: Trade and other receivables, Note 5: Details of shopping centre investments, and in section 1 Operating and Financial Review of the Directors' Report.

### (d) Going concern

This financial report has been prepared on a going concern basis. In making this assessment, the Directors have considered:

– the Group's ability to meet its financial obligations over the next twelve months, using cash flow sensitivity analysis and having regard to debt maturities, funding requirements, operating cash earnings and available financing facilities; and

– the Group's ability to meet its financial covenants over the next twelve months, assuming various scenarios for the potential impact of the COVID-19 pandemic.

### (e) Basis of Accounting

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 (Corporations Act), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. This financial report has also been prepared on a historical cost basis, except for investment properties, investment properties within equity accounted investments, derivative financial instruments, financial assets at fair value through profit and loss and other financial liabilities.

This financial report is presented in Australian dollars.

### (f) Statement of Compliance

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board. The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new or amended standards which became applicable on 1 January 2020:

– AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

– AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

– AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

– AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 1

– AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia

For the financial period, the adoption of these amended standards and interpretation had no material impact on the financial statements of the Group.

## Note 1 Basis of preparation of the Financial Report (continued)

### (f) Statement of Compliance (continued)

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 31 December 2020. The impact of these new standards or amendments to the standards (to the extent relevant to the Group) and interpretations is as follows:

– AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform Phase 2 (effective from 1 January 2021)

  This amends AASB 9 Financial Instruments, AASB 139 Financial Instruments: Recognition and Measurement, AASB 7 Financial Instruments: Disclosures, AASB 4 Insurance Contracts and AASB 16 Leases to address issues that arise during the reform of an interest rate benchmark (IBOR), including the replacement of one benchmark with an alternative one. This amendment is not expected to have a significant impact on the financial statements on application.

– AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective from 1 January 2022)

  This amends AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures to address an inconsistency between the requirements of AASB 10 and AASB 128 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. This amendment is not expected to have a significant impact on the financial statements on application.

– AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (effective from 1 January 2022)

  This amends (to the extent relevant to the Group):

  (i) AASB 9 Financial Instruments to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;

  (ii) AASB 3 Business Combinations to update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations; and

  (iii) AASB 137 Provisions, Contingent Liabilities and Contingent Assets to specify the costs that an entity includes when assessing whether a contract will be loss-making.

  These amendments are not expected to have a significant impact on the financial statements on application.

– AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Noncurrent (effective from 1 January 2023)

  This amends AASB 101 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non current. This amendment is not expected to have a significant impact on the financial statements on application.

### (g) Significant accounting judgements, estimates and assumptions

The preparation of this financial report requires management to make judgements, estimates and assumptions. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Further details of judgements, estimates and assumptions applied may be found in the relevant notes to the financial statements, in particular, Note 2: Segment reporting, Note 3: Trade and other receivables, Note 4: Investment properties, Note 5: Details of shopping centre investments and Note 29: Fair value of financial assets and liabilities.

At 31 December 2020, uncertainties remain over the potential economic impact of the ongoing COVID-19 pandemic. Accordingly, actual results may differ from these estimates under different assumptions and conditions and may materially affect the Group's financial results or its financial position in future periods.

### (h) Comparative information

Where applicable, certain comparative figures are restated in order to comply with the current period's presentation of the financial statements.

### (i) Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts shown in this financial report have been rounded to the nearest tenth of a million dollars, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than $50,000 that have been rounded down.

# Note 2 Segment reporting

The Group's operational segments comprise the property investment and property management and construction segments.

## (a) Property investments

Property investments segment includes net property income from shopping centres. A geographic analysis of net property investment income is also provided.

## (b) Property management and construction

Property management and construction segment includes external fee income from third parties, primarily property management and development fees, and associated business expenses.

The Group's operating segment income and expenses as well as the details of segment assets have been prepared on a proportionate format. The proportionate format presents the net income from and net assets in equity accounted properties on a gross format whereby the underlying components of net income and net assets are disclosed separately as revenues and expenses, assets and liabilities. The Group's liabilities are managed on a consolidated basis rather than by operational segments.

The proportionate format is used by management in assessing and understanding the performance and results of operations of the Group as it allows management to observe and analyse revenue and expense results and trends on a portfolio-wide basis. The assets underlying both the consolidated and the equity accounted components of the statutory income statement are similar (that is, Australian and New Zealand shopping centres), all centres are under common management and therefore the drivers of their results are similar. Accordingly, management considers that the proportionate format provides a more useful way to understand the performance of the portfolio as a whole than the statutory format.

### (i) Operating segment information

| | **Property investment $million** | **Property management and construction $million** | **31 Dec 20 $million** | Property investment $million | Property management and construction $million | 31 Dec 19 $million |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Property revenue | **2,206.0** | **–** | **2,206.0** | 2,378.2 | – | 2,378.2 |
| Property development and construction revenue | **–** | **127.9** | **127.9** | – | 396.8 | 396.8 |
| Property management income | **–** | **51.2** | **51.2** | – | 58.7 | 58.7 |
| | **2,206.0** | **179.1** | **2,385.1** | 2,378.2 | 455.5 | 2,833.7 |
| **Expenses** | | | | | | |
| Property expenses, outgoings and other costs | **(504.5)** | **–** | **(504.5)** | (529.8) | – | (529.8) |
| Property development and construction costs | **–** | **(124.2)** | **(124.2)** | – | (315.9) | (315.9) |
| Property management costs | **–** | **(10.2)** | **(10.2)** | – | (10.0) | (10.0) |
| Expected credit charge relating to COVID-19 | **(303.9)** | **–** | **(303.9)** | – | – | – |
| | **(808.4)** | **(134.4)** | **(942.8)** | (529.8) | (325.9) | (855.7) |
| **Segment income and expenses** | **1,397.6** | **44.7** | **1,442.3** | 1,848.4 | 129.6 | 1,978.0 |
| Shopping centre investments | **33,558.8** | **–** | **33,558.8** | 37,542.8 | – | 37,542.8 |
| Development projects and construction in progress | **554.4** | **–** | **554.4** | 629.8 | – | 629.8 |
| **Segment assets** (i) | **34,113.2** | **–** | **34,113.2** | 38,172.6 | – | 38,172.6 |

(i) Includes equity accounted segment assets of $2,899.2 million (31 December 2019: $3,317.3 million).

## Note 2 Segment reporting (continued)

### (ii) Geographic information – Total revenue

| | Australia $million | New Zealand $million | 31 Dec 20 $million | Australia $million | New Zealand $million | 31 Dec 19 $million |
|---|---|---|---|---|---|---|
| Property revenue [i] | **2,087.5** | **118.5** | **2,206.0** | 2,271.7 | 106.5 | 2,378.2 |
| Property development and construction revenue [ii] | **98.6** | **29.3** | **127.9** | 158.2 | 238.6 | 396.8 |
| Property management income | **45.9** | **5.3** | **51.2** | 53.9 | 4.8 | 58.7 |
| **Total revenue** | **2,232.0** | **153.1** | **2,385.1** | 2,483.8 | 349.9 | 2,833.7 |

(i) Includes recoveries of outgoings from lessees of $271.5 million (31 December 2019: $293.2 million).

(ii) Property development and construction revenue recognised during the year that was included in the contract liability balance (presented in current payables and other creditors on the balance sheet) at the beginning of the year, amounted to $35.0 million (31 December 2019: $97.0 million). No amounts were recognised during the current year that relate to performance obligations satisfied or partially satisfied in previous periods (31 December 2019: nil).

*Receivables and contract liabilities from contracts with customers*

As at 31 December 2020, receivables from contracts with customers amounted to $17.9 million (31 December 2019: $47.9 million) and contract liabilities from contracts with customers amounted to $50.3 million (31 December 2019: $56.2 million).

*Transaction price allocated to the remaining performance obligations*

As at 31 December 2020, the aggregate amount of the transaction price allocated to remaining performance obligations is $107.4 million (31 December 2019: $189.6 million). The Group will recognise this as revenue as property development and construction projects are completed, which is expected to occur over the next 6-24 months. These amounts do not include contracts that have an expected duration of one year or less and any portion of the transaction price that is variable and constrained.

### (iii) Geographic information – Net property income

| | Australia $million | New Zealand $million | 31 Dec 20 $million | Australia $million | New Zealand $million | 31 Dec 19 $million |
|---|---|---|---|---|---|---|
| Shopping centre base rent and other property income | **2,142.5** | **119.8** | **2,262.3** | 2,335.3 | 107.3 | 2,442.6 |
| Amortisation of tenant allowances | **(65.6)** | **(3.0)** | **(68.6)** | (75.6) | (1.5) | (77.1) |
| Straightlining of rent | **10.6** | **1.7** | **12.3** | 12.0 | 0.7 | 12.7 |
| Property revenue | **2,087.5** | **118.5** | **2,206.0** | 2,271.7 | 106.5 | 2,378.2 |
| Property expenses, outgoings and other costs | **(475.6)** | **(28.9)** | **(504.5)** | (504.2) | (25.6) | (529.8) |
| Expected credit charge relating to COVID-19 | **(290.3)** | **(13.6)** | **(303.9)** | – | – | – |
| **Net property income** | **1,321.6** | **76.0** | **1,397.6** | 1,767.5 | 80.9 | 1,848.4 |

### (iv) Geographic information – Non current assets

| | Australia $million | New Zealand $million | 31 Dec 20 $million | Australia $million | New Zealand $million | 31 Dec 19 $million |
|---|---|---|---|---|---|---|
| Non current assets | **32,674.5** | **1,440.8** | **34,115.3** | 36,484.6 | 1,633.8 | 38,118.4 |
| Group non current assets | | | **904.5** | | | 1,086.0 |
| **Total non current assets** | | | **35,019.8** | | | 39,204.4 |
| Additions to segment non current assets during the period | | | **260.1** | | | 1,201.6 |

# Note 2 Segment reporting (continued)

### (v) Reconciliation of segment information

The Group's operating segment income and expenses as well as the details of segment assets have been prepared on a proportionate format. The composition of the Group's consolidated and equity accounted details are provided below:

| | Consolidated $million | Equity Accounted $million | 31 Dec 20 $million | Consolidated $million | Equity Accounted $million | 31 Dec 19 $million |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| Property revenue | **1,983.2** | **222.8** | **2,206.0** | 2,160.9 | 217.3 | 2,378.2 |
| Property development and construction revenue | **127.9** | **–** | **127.9** | 396.8 | – | 396.8 |
| Property management income | **51.2** | **–** | **51.2** | 58.7 | – | 58.7 |
| | **2,162.3** | **222.8** | **2,385.1** | 2,616.4 | 217.3 | 2,833.7 |
| **Expenses** | | | | | | |
| Property expenses, outgoings and other costs | **(449.3)** | **(55.2)** | **(504.5)** | (476.3) | (53.5) | (529.8) |
| Property development and construction costs | **(124.2)** | **–** | **(124.2)** | (315.9) | – | (315.9) |
| Property management costs | **(10.2)** | **–** | **(10.2)** | (10.0) | – | (10.0) |
| Expected credit charge relating to COVID-19 | **(272.0)** | **(31.9)** | **(303.9)** | – | – | – |
| | **(855.7)** | **(87.1)** | **(942.8)** | (802.2) | (53.5) | (855.7) |
| **Segment income and expenses** | **1,306.6** | **135.7** | **1,442.3** | 1,814.2 | 163.8 | 1,978.0 |
| Overheads | | | **(77.2)** | | | (88.1) |
| Interest income | | | **6.4** | | | 4.8 |
| Currency gain | | | **62.4** | | | 15.4 |
| Financing costs | | | | | | |
| – Net fair value movement and modification gain/(loss) | | | **(301.5)** | | | (73.6) |
| – Other financial liabilities and lease liabilities | | | **(30.3)** | | | (39.0) |
| – Senior borrowings | | | **(549.8)** | | | (531.9) |
| – Subordinated notes coupon | | | **(55.5)** | | | – |
| – Interest capitalised | | | **17.7** | | | 21.6 |
| | | | **(919.4)** | | | (622.9) |
| Gain in respect of capital transactions | | | **–** | | | 120.6 |
| Property revaluations | | | **(4,254.2)** | | | (151.9) |
| Tax expense – current | | | **(36.7)** | | | (67.9) |
| Tax benefit/(expense) – deferred | | | **4.4** | | | (0.4) |
| External non controlling interests | | | **40.2** | | | (8.1) |
| **Net profit/(loss) attributable to members of the Group** [i] | | | **(3,731.8)** | | | 1,179.5 |

[i] Net loss attributable to members of the Group was $3,731.8 million (31 December 2019: profit of $1,179.5 million). Net loss after tax for the year which includes loss attributable to external non controlling interests of $40.2 million (31 December 2019: profit of $8.1 million) was $3,772.0 million (31 December 2019: profit of $1,187.6 million).

# Note 2 Segment reporting (continued)

### (v) Reconciliation of segment information (continued)

| | Consolidated $million | Equity Accounted $million | 31 Dec 20 $million | Consolidated $million | Equity Accounted $million | 31 Dec 19 $million |
|---|---|---|---|---|---|---|
| Shopping centre investments | **30,729.6** | **2,829.2** | **33,558.8** | 34,301.8 | 3,241.0 | 37,542.8 |
| Development projects and construction in progress | **484.4** | **70.0** | **554.4** | 553.5 | 76.3 | 629.8 |
| **Segment assets** | **31,214.0** | **2,899.2** | **34,113.2** | 34,855.3 | 3,317.3 | 38,172.6 |
| Cash and cash equivalents | **378.1** | **26.7** | **404.8** | 253.0 | 8.0 | 261.0 |
| Short term deposits at bank | **2,222.8** | **–** | **2,222.8** | – | – | – |
| Trade and other receivables | | | | | | |
| – Trade debtors | **433.6** | **41.9** | **475.5** | 57.3 | 3.1 | 60.4 |
| – Receivables | **57.7** | **1.6** | **59.3** | 130.0 | 7.2 | 137.2 |
| Expected credit loss allowance | | | | | | |
| – Trade debtors | **(255.6)** | **(26.8)** | **(282.4)** | (17.3) | (1.4) | (18.7) |
| – Receivables | **(9.6)** | **–** | **(9.6)** | (5.7) | – | (5.7) |
| Deferred tax assets | **34.0** | **1.5** | **35.5** | 32.7 | – | 32.7 |
| Receivables on currency derivatives hedging | | | | | | |
| – NZ$ net assets | **7.5** | **–** | **7.5** | – | – | – |
| – Senior borrowings | **297.8** | **–** | **297.8** | 677.7 | – | 677.7 |
| Other assets | **904.8** | **0.4** | **905.2** | 715.8 | 1.9 | 717.7 |
| **Total assets** | **35,285.1** | **2,944.5** | **38,229.6** | 36,698.8 | 3,336.1 | 40,034.9 |
| Interest bearing liabilities | | | | | | |
| – Senior borrowings | **11,781.2** | **–** | **11,781.2** | 13,819.7 | – | 13,819.7 |
| – Subordinated notes [(i)] | **3,894.6** | **–** | **3,894.6** | – | – | – |
| Lease liabilities | **131.5** | **0.4** | **131.9** | 129.8 | 0.4 | 130.2 |
| Other financial liabilities | **612.7** | **–** | **612.7** | 689.0 | – | 689.0 |
| Deferred tax liabilities | **89.4** | **80.9** | **170.3** | 104.1 | 75.1 | 179.2 |
| Payables on currency derivatives hedging | | | | | | |
| – NZ$ net assets | **5.9** | **–** | **5.9** | – | – | – |
| – Senior borrowings | **399.6** | **–** | **399.6** | 21.3 | – | 21.3 |
| – Subordinated notes [(i)] | **215.0** | **–** | **215.0** | – | – | – |
| Other liabilities | **1,939.8** | **84.2** | **2,024.0** | 1,571.6 | 76.0 | 1,647.6 |
| **Total liabilities** | **19,069.7** | **165.5** | **19,235.2** | 16,335.5 | 151.5 | 16,487.0 |
| **Net assets** | **16,215.4** | **2,779.0** | **18,994.4** | 20,363.3 | 3,184.6 | 23,547.9 |

(i) The hedged value of the US$ subordinated 60-year notes was $4,109.6 million (31 December 2019: nil) comprising notes of $3,894.6 million (31 December 2019: nil) translated at the year end rate of 0.7703 and the net fair value payable on currency derivatives of $215.0 million (31 December 2019: nil).

# Note 2 Segment reporting (continued)

## Accounting Policies

**Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured.

*Leases*

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.

Certain tenant allowances that are classified as lease incentives are recorded as part of investment properties and amortised over the term of the lease. The amortisation is recorded against property revenue.

Impact of the COVID-19 pandemic

During the year, temporary lease arrangements which included rent abatements, were negotiated with tenants to assist with their cash flow issues due to the impact of the COVID-19 pandemic.

When an agreement is legally executed, rent abated that relates to past occupancy is recognised as an expense in the income statement and rent abated that relates to future occupancy is accounted for as a lease modification and recognised on a straight-line basis over the remaining term of the lease.

When an agreement has not been legally executed at balance date, rental income is recognised on a straight-line basis in accordance with the terms of the original lease. However, an allowance for expected credit loss is recognised against outstanding trade debtors based on management's expectations of the level of rental abatements that will be provided to tenants for the period to 31 December 2020. Refer to Note 3 for further details of judgements, estimates and assumptions used by management in assessing the expected credit loss allowance.

*Revenue from contracts with customers*

Property development and construction revenue comprises Construction, Design and Development fees earned from Design and Construction Agreements (D&C Agreements) with third parties. The Group accounts for all services provided under the D&C Agreements as a single performance obligation, the services being part of a series of distinct goods and services that are substantially integrated with the same pattern of transfer, and revenue is recognised based on the percentage of completion for that single performance obligation. Percentage of completion is determined based on the proportion of contract costs incurred to date and the estimated contract costs to complete. Accordingly, significant judgments and estimates are made in determining (i) variable consideration which may be included in the transaction price; (ii) costs incurred to date that reflects the Group's progress in satisfying its performance obligations under the contract; and (iii) the total contract costs.

Differences between amounts recognised as revenue and amounts billed to customers are recognised as contract assets or liabilities on the balance sheet. Progress billings to customers include charges for work completed, materials and/or goods delivered (which may include uninstalled materials and/or goods) or expenditure incurred. Amounts billed to customers are usually due within 10 days.

Property management revenue from third parties is recognised as services are provided.

Recoveries of outgoings from lessees are recognised as services are provided.

Revenue from the sale of properties is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.

All other revenues are recognised as services are provided.

**Expenses**

*Costs to obtain or fulfil a contract with customers*

The Group recognises as an asset the incremental costs of obtaining a contract with a customer and all costs of fulfilling a contract, if the Group expects to recover those costs. Capitalised costs are amortised, with the expense recognised on a systematic basis that depicts the transfer of goods and services to customers. An impairment loss is recognised if the carrying amount of the asset exceeds the remaining amount of consideration the Group expects to receive less costs that have not yet been recognised as expenses.

All other expenses are brought to account on an accruals basis.

# Note 3 Trade and other receivables

| | **31 Dec 20 $million** | 31 Dec 19 $million |
|---|---|---|
| **Current** | | |
| Trade debtors | **170.4** | 40.0 |
| Receivables | **48.1** | 124.3 |
| | **218.5** | 164.3 |
| **Non current** | | |
| Trade debtors | **7.6** | – |
| | **7.6** | – |
| | **226.1** | 164.3 |

## (a) Trade and other receivables comprise:

| | | |
|---|---|---|
| Trade debtors | **433.6** | 57.3 |
| Other receivables | **57.7** | 130.0 |
| Trade and other receivables | **491.3** | 187.3 |
| Expected credit loss allowance | **(265.2)** | (23.0) |
| **Total trade and other receivables** | **226.1** | 164.3 |

## (b) Movement in expected credit loss allowance

| | | |
|---|---|---|
| Balance at the beginning of the year | **(23.0)** | (25.9) |
| Expected credit charge relating to COVID-19 | **(272.0)** | – |
| Amounts written-off relating to COVID-19 | **15.7** | – |
| Other decreases in expected credit loss | **14.1** | 2.9 |
| **Balance at the end of the year** | **(265.2)** | (23.0) |

Impact of the COVID-19 pandemic

Many of the Group's retailers have been adversely impacted as a result of the pandemic and the government restrictions on people movement and activity, resulting to loss of revenue which impacted many tenants' financial position. In response to the pandemic, the Australian Governments issued the Code of Conduct for small to medium sized retailers in April 2020, which mandated a framework for temporary lease arrangements to reduce cash rent in proportion to the retailers' revenue impact during the pandemic period. New Zealand does not have a Code of Conduct, however the Group has implemented similar principles in that market with respect to small to medium sized retailers. The Group has also worked with retail partners that are not subject to the code on a case-by-case basis to determine appropriate ways to assist with their cash flow issues.

The expected credit charge relating to COVID-19 recognised for the year ended 31 December 2020 is solely related to the COVID-19 pandemic and has been separately disclosed in the income statement to highlight its significant impact on the Group's financial results. The charge reflects the expected rental abatements and the additional credit risk associated with tenants. The expected rental abatements are based on management's expectations of the level of rental abatements that will be provided to tenants for the period to 31 December 2020. The level of expected rental abatements has been determined after discussions and agreements with tenants. Where abatements have not been agreed with tenants, estimates have been made giving reference to outcomes with similar retailers.

For trade and other receivables outstanding at 31 December 2020 in excess of the expected rental abatements, management have assessed that there is an increased level of credit risk on the collection of these balances. Rather than primarily applying historical loss rates, the assumptions used in estimating lifetime expected credit loss include the following:

– the extent and duration of the pandemic;

– the effectiveness of government policies in response to the pandemic;

– the credit quality of tenants based on shared credit risk characteristics (e.g. size, industry, aging);

– future economic conditions which are based on forward looking information such as economic growth and inflation; and

– consumer and business sentiment.

## Note 3 Trade and other receivables (continued)

In determining the expected credit loss allowance, management has taken into account security deposits received from tenants generally in the form of bank guarantees, which can be called upon if the tenant is in default under the terms of the lease contract. Trade debtors also include GST which is fully recoverable from the relevant tax authorities and therefore excluded from the loss allowance.

Trade and other receivables written-off include rent abated relating to past occupancy that is part of rent relief arrangements with tenants applying to the COVID-19 pandemic period.

Uncertainties over the near-term and longer-term impact of the COVID-19 pandemic affect management's ability to reliably determine key judgements, estimates and assumptions used in determining expected credit loss. The expected credit loss allowance has been determined based on available information of conditions that existed at 31 December 2020. In the event that the Governments in Australia were to mandate future lockdowns and depending on the length and severity this could result in further write-downs of trade debtors. However, after allowing for the GST element of trade debtors and bank guarantees any further write-down would not be material to the Group's financial position at 31 December 2020.

At 31 December 2020, approximately 80% of trade debtors are aged greater than 90 days and the expected credit loss allowance is 59% of trade debtors. An increase or decrease of 5% in the expected credit loss rate (after adjusting for GST and bank guarantees) would result in an increase or decrease in expected credit loss allowance of $15.0 million respectively. At 31 December 2019, approximately 56% of trade debtors are aged greater than 90 days and the expected credit loss allowance is 30% of trade debtors. An increase or decrease of 5% in the expected credit loss rate (after adjusting for GST and bank guarantees) would result in an increase or decrease in expected credit loss allowance of $2.1 million respectively.

### Accounting Policies

**Trade and other receivables**

Trade and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. At initial recognition, these are measured at fair value.

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses are recognised in the income statement. The receivable is written off when there is no reasonable expectation of recovering the contractual cash flows such as when all legal avenues for debt recovery have been exhausted, and when rent is waived as part of the COVID-19 rent relief negotiations. Any gain or loss on derecognition is also recognised in the income statement.

In assessing for impairment, the Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. For trade and other receivables, the Group applies the simplified approach, which requires lifetime expected losses to be recognised from initial recognition of the receivables.

In measuring the expected credit loss, trade and other receivables have been grouped based on shared credit risk characteristics (e.g. size and industry) and the days past due. The expected loss rates are determined based on days past the due date and the historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of customers to settle their debts.

## Note 4 Investment properties

| | **31 Dec 20 $million** | 31 Dec 19 $million |
|---|---|---|
| Shopping centre investments | **30,729.6** | 34,301.8 |
| Development projects and construction in progress | **484.4** | 553.5 |
| **Total investment properties** | **31,214.0** | 34,855.3 |
| **Movement in total investment properties** | | |
| Balance at the beginning of the year | **34,855.3** | 36,044.8 |
| Acquisition of properties | **–** | 658.8 |
| Disposal of properties [(i)] | **–** | (1,876.7) |
| Capital expenditure | **189.5** | 147.7 |
| Net revaluation decrement | **(3,830.8)** | (119.3) |
| Balance at the end of the year [(ii)] | **31,214.0** | 34,855.3 |

(i) In June 2019, the Sydney Office Towers and a 50% interest in Westfield Burwood were sold and derecognised from the Group's balance sheet. The sale of the Sydney Office Towers was effected by way of granting a 299-year leasehold interest over the office components located at 100 Market Street, and 77 and 85 Castlereagh Street.

(ii) The fair value of investment properties at the end of the year of $31,214.0 million (31 December 2019: $34,855.3 million) comprises investment properties at market value of $31,169.0 million (31 December 2019: $34,809.9 million) and ground lease assets of $45.0 million (31 December 2019: $45.4 million).

## Note 4 Investment properties (continued)

### Accounting Policies

**Investment properties**

The Group's investment properties include shopping centre investments, development projects and construction in progress.

*(i) Shopping centre investments*

The Group's shopping centre investment properties represent completed centres comprising freehold and leasehold land, buildings and leasehold improvements.

Land and buildings are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to effluxion of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, shopping centre investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the Group's portfolio of shopping centre investment properties are stated at fair value. Gains and losses arising from changes in the fair values of shopping centre investment properties are included in the income statement in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the income statement in the year of sale.

At each reporting date, the carrying value of the portfolio of shopping centre investment properties is assessed by the Directors and where the carrying value differs materially from the Directors' assessment of fair value, an adjustment to the carrying value is recorded as appropriate.

The Directors' assessment of fair value of each shopping centre takes into account the latest independent valuations generally prepared annually, with updates taking into account any changes in capitalisation rate, underlying income and valuations of comparable centres. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used, which are based upon assumptions and judgements in relation to future rental income, capitalisation rate and make reference to market evidence of transaction prices for similar properties.

The key assumptions and estimates used in determining fair value are disclosed in Note 5.

*(ii) Development projects and construction in progress*

The Group's development projects and construction in progress include costs incurred for the current and future redevelopment and expansion of new and existing shopping centre investments, and are classified as inventories when intended for sale to third parties. Development projects and construction in progress include capitalised construction and development costs, payments and advances to contractors and where applicable, borrowing costs incurred on qualifying developments.

The Directors' assessment of fair value of each development project and construction in progress that meets the definition of an investment property, takes into account the expected costs to complete, the stage of completion, expected underlying income and yield of the developments. From time to time, during a development, the Directors may commission an independent valuation of the development project. On completion, the development projects are reclassified to shopping centre investments and an independent valuation is obtained.

Independent valuations are conducted in accordance with guidelines and valuation principles as set by the International Valuation Standards Council.

It is the Group's policy to appoint a number of qualified independent valuers and that no individual valuer is appointed to appraise an individual property for greater than three consecutive years. The following qualified independent valuers were appointed by the Group to carry out property appraisals for the current financial year:

**Australian shopping centres**

– CBRE Valuations Pty Limited
– Colliers International Holdings (Australia) Ltd
– Cushman & Wakefield (Valuations) Pty Ltd
– Jones Lang LaSalle Advisory Services Pty Ltd
– Knight Frank Australia Pty Ltd
– Savills Valuations Pty Ltd

**New Zealand shopping centres**

– Colliers International New Zealand Limited
– Jones Lang La Salle Limited

# Note 5 Details of shopping centre investments

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| Consolidated Australian shopping centres | **30,729.6** | 34,301.8 |
| **Total consolidated shopping centres** | **30,729.6** | 34,301.8 |
| Equity accounted Australian shopping centres | **1,366.5** | 1,572.0 |
| Equity accounted New Zealand shopping centres | **1,462.7** | 1,669.0 |
| **Total equity accounted shopping centres** | **2,829.2** | 3,241.0 |
| | **33,558.8** | 37,542.8 |

Centres that are held through controlled entities or are held directly and jointly as tenants in common and are treated as joint operations are consolidated. For joint operations, the contractual arrangements establish that the parties share all the liabilities, obligations, costs and expenses in their ownership proportion. The allocation of revenue and expenses is based on the ownership interest in the joint arrangement.

Centres that are held through a separate vehicle with joint control and are treated as a joint venture are accounted for under the equity method of accounting.

| | Carrying Amount 31 Dec 20 $million | Retail Capitalisation Rates 31 Dec 20 % | Carrying Amount 31 Dec 19 $million | Retail Capitalisation Rates 31 Dec 19 % |
|---|---|---|---|---|
| **Total Annual Sales > $1 billion**<br>Wholly-owned: Bondi Junction, Chermside, Fountain Gate and Sydney(i) | **11,517.3** | **4.37%** | 12,649.4 | 4.12% |
| **Total Annual Sales > $500 million < $1 billion**<br>Wholly-owned: Belconnen, Carousel, Chatswood, Garden City and Hornsby<br>Jointly-owned (50%): Booragoon, Carindale(ii), Doncaster, Eastgardens, Hurstville, Knox, Liverpool, Marion, Miranda, North Lakes, Parramatta, Penrith, Southland, Tea Tree Plaza and Warringah Mall | **16,058.1** | **4.92%** | 18,065.3 | 4.81% |
| **Total Annual Sales < $500 million**<br>Wholly-owned: Kotara, Innaloo and Tuggerah<br>Jointly-owned (50%): Airport West, Burwood, Coomera, Geelong, Helensvale, Mt Druitt, Plenty Valley, West Lakes, Whitford City and Woden | **4,520.7** | **5.61%** | 5,159.1 | 5.36% |
| **Total Australian portfolio(iv)** | **32,096.1** | **4.83%(iii)** | 35,873.8 | 4.67%(iii) |
| **New Zealand**<br>Jointly-owned (51%): Albany, Manukau, Newmarket, Riccarton and St Lukes | **NZ$1,560.1** | **6.14%** | NZ$1,739.6 | 5.92% |
| **Total New Zealand portfolio** | **NZ$1,560.1** | **6.15%(iii)** | NZ$1,739.6 | 5.92%(iii) |
| Exchange rate | **1.0666** | | 1.0423 | |
| **Total New Zealand portfolio in A$** | **1,462.7** | | 1,669.0 | |
| **Total portfolio** | **33,558.8** | **4.89%(iii)** | 37,542.8 | 4.72%(iii) |

(i) Sydney comprises Sydney Central Plaza and the Sydney City Retail Centre.

(ii) Carindale Property Trust (CDP) has a 50% interest in this shopping centre. As at 31 December 2020, the Group has a 62.58% interest in CDP (31 December 2019: 62.58%).

(iii) Weighted average capitalisation rate including non-retail assets.

(iv) Australian portfolio classification based on 31 December 2019 total annual sales.

## Note 5 Details of shopping centre investments (continued)

Impact of the COVID-19 pandemic

As at 31 December 2020 there was significant valuation uncertainty relating to the investment property valuations. The COVID-19 pandemic and the regulatory response has significantly impacted our operations as well those of our tenants. This uncertainty affects our ability to reliably determine the key judgements and assumptions used in the property valuations. The Income Capitalisation approach and the Discounted Cash Flow approach are used to arrive at a range of valuation outcomes, from which a best estimate of fair value is derived at a point in time. The key assumptions and estimates used in these valuation approaches which have been impacted by COVID-19 include:

- forecast future income, based on the location, type and quality of the property, which are supported by the terms of any existing leases, other contracts or external evidence such as current market rents for similar properties adjusted to recognise the COVID-19 impact;
- lease assumptions based on current and expected future market conditions after expiry of any current lease;
- the capitalisation rate and discount rate derived from recent comparable market transactions adjusted for COVID-19 to reflect the uncertainty in the amount and timing of cash flows; and
- the impact of government support on tenants and rental schemes giving rise to rent deferrals, rent waivers, and eviction moratoriums.

Due to the valuation uncertainty the property values may change significantly and unexpectedly over a relatively short period of time. The property valuations have been prepared based on information that is available at 31 December 2020.

The table below summarises some of the key inputs used in determining investment property valuations:

| | **31 Dec 20** | 31 Dec 19 |
|---|---|---|
| **Australian portfolio** [(i)] | | |
| **Total Annual Sales > $1 billion** | | |
| Retail capitalisation rate | **4.25%-4.50%** | 4.00%-4.13% |
| Weighted average retail capitalisation rate | **4.37%** | 4.12% |
| Retail discount rate | **6.00%-6.25%** | 6.00%-6.25% |
| **Total Annual Sales > $500 million < $1 billion** | | |
| Retail capitalisation rate | **4.50%-5.75%** | 4.25%-5.50% |
| Weighted average retail capitalisation rate | **4.92%** | 4.81% |
| Retail discount rate | **6.00%-7.00%** | 6.25%-7.25% |
| **Total Annual Sales < $500 million** | | |
| Retail capitalisation rate | **4.75%-6.25%** | 4.75%-6.00% |
| Weighted average retail capitalisation rate | **5.61%** | 5.36% |
| Retail discount rate | **6.25%-7.50%** | 6.25%-7.50% |
| **New Zealand portfolio** | | |
| Retail capitalisation rate | **5.50%-6.75%** | 5.25%-6.63% |
| Weighted average retail capitalisation rate | **6.14%** | 5.92% |
| Retail discount rate | **7.00%-8.50%** | 7.00%-8.28% |

(i) Australian portfolio classification based on 31 December 2019 total annual sales.

Changes to key inputs would result in changes to the fair value of investment properties. An increase in capitalisation rate and/or discount rate would result in lower fair value, while a decrease in capitalisation rate and/or discount rate will result in higher fair value (with all other factors held constant). The discount rates adopted at 31 December 2020 have broadly remained unchanged to 31 December 2019, whilst weighted average capitalisation rates have increased from 4.72% at 31 December 2019 to 4.89% at 31 December 2020. The capitalisation rate sensitivity analysis is detailed below.

| | | **31 Dec 20 $million** | 31 Dec 19 $million |
|---|---|---|---|
| The sensitivity of shopping centre valuations to changes in capitalisation rates is as follows: | Capitalisation rate movement | Increase/(decrease) in fair value | |
| | -50 bps | **3,822.2** | 4,448.2 |
| | -25 bps | **1,808.1** | 2,099.7 |
| | +25 bps | **(1,632.2)** | (1,888.5) |
| | +50 bps | **(3,113.1)** | (3,596.1) |

## Note 6 Details of equity accounted investments

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(a) Share of equity accounted entities' net profit/(loss) and comprehensive income/(loss)** | | |
| Share of after tax profit/(loss) of equity accounted entities | **(294.5)** | 119.9 |
| Other comprehensive income/(loss) [i] | **(13.1)** | 3.0 |
| **Share of total comprehensive income/(loss) of equity accounted entities** | **(307.6)** | 122.9 |

(i) Relates to the net exchange difference on translation of equity accounted foreign operations.

### (b) Share of equity accounted entities' assets and liabilities

The Group's equity accounted investments of $2,779.0 million (31 December 2019: $3,184.6 million) comprise investments in joint ventures in Australia and New Zealand represented by equity of $1,754.2 million (31 December 2019: $2,159.8 million) and interest bearing loans of $1,024.8 million (31 December 2019: $1,024.8 million). Inter-entity interest charges on the loans amounted to $21.9 million (31 December 2019: $28.5 million).

### (c) Equity accounted entities economic interest

| Name of investments | Type of equity | Balance date | Economic interest 31 Dec 20 | Economic interest 31 Dec 19 |
|---|---|---|---|---|
| **Australian investments** [i] | | | | |
| Mt Druitt [ii] | Trust units | 30 Jun | **50.0%** | 50.0% |
| Southland [ii] | Trust units | 30 Jun | **50.0%** | 50.0% |
| Tea Tree Plaza [ii] | Trust units | 30 Jun | **50.0%** | 50.0% |
| **New Zealand investments** [i] [iii] | | | | |
| Albany | Shares | 31 Dec | **51.0%** | 51.0% |
| Manukau | Shares | 31 Dec | **51.0%** | 51.0% |
| Newmarket | Shares | 31 Dec | **51.0%** | 51.0% |
| Riccarton | Shares | 31 Dec | **51.0%** | 51.0% |
| St Lukes | Shares | 31 Dec | **51.0%** | 51.0% |

(i) All equity accounted property partnerships, trusts and companies operate solely as retail property investors.

(ii) Notwithstanding that the financial year of these investments ends on 30 June, the consolidated financial statements have been prepared so as to include the accounts for a period coinciding with the financial year of the Parent Company being 31 December.

(iii) Under the Shareholders' Agreement, the Group and GIC, Singapore's sovereign wealth fund, each have two representatives in the Shareholders' Committee with voting power in proportion to each shareholder's shareholding. While the Group has a 51% interest in these entities, 75% of the votes is required to pass a resolution. Accordingly, the Group's 51% interest in these investments is accounted for using the equity accounted method.

# Note 7 Taxation

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(a) Tax expense** | | |
| Current tax expense – underlying operations | **(28.5)** | (62.0) |
| Deferred tax benefit | **3.0** | 5.1 |
| | **(25.5)** | (56.9) |
| The prima facie tax on profit/(loss) before tax is reconciled to the income tax expense provided in the financial statements as follows: | | |
| Profit/(loss) before income tax | **(3,746.5)** | 1,244.5 |
| Less: Trust loss/(income) not taxable for the Group – tax payable by members | **3,761.0** | (1,183.3) |
| | **14.5** | 61.2 |
| Prima facie tax expense at 30% | **(4.4)** | (18.4) |
| Tax on inter-entity transactions | **(21.7)** | (38.1) |
| Other | **0.6** | (0.4) |
| Tax expense | **(25.5)** | (56.9) |
| **(b) Deferred tax assets** | | |
| Provisions and accruals | **34.0** | 32.7 |
| | **34.0** | 32.7 |
| **(c) Deferred tax liabilities** | | |
| Tax effect of book value in excess of the tax cost base of investment properties | **33.3** | 41.5 |
| Other timing differences | **56.1** | 62.6 |
| | **89.4** | 104.1 |

## Accounting Policies

### Taxation

The Group comprises taxable and non taxable entities. Income tax expense is only recognised in respect of taxable entities.

*(i) Taxable and non taxable entities of the Group*

The Parent Company and its Australian resident wholly owned subsidiaries have formed a tax consolidated group. The Parent Company has entered into tax funding arrangements with its Australian resident wholly owned subsidiaries, pursuant to which each subsidiary has agreed to pay or receive a tax equivalent amount based on the net taxable amount or loss of the subsidiary at the current tax rate. The tax consolidated group has applied the modified separate taxpayer approach in determining the appropriate amount of current taxes to allocate to each entity.

SGT1 and SGT2 have elected into the Attribution Managed Investment Trust Regime. Accordingly, the Trusts are not liable for Australian income tax provided that the taxable income of each Trust is attributed to members. The members of each Trust are taxable on the share of the taxable income of each Trust attributed to them.

SGT3 is treated as a company for Australian tax purposes and accordingly is a taxable entity.

The Group's New Zealand resident entities are subject to New Zealand tax.

*(ii) Accounting for income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, calculated using the tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity and not the income statement.

# Note 8 Significant items

The following significant items are relevant in explaining the financial performance of the business:

| | Note | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|---|
| Property revaluations | 2(v) | **(4,254.2)** | (151.9) |
| Net fair value gain and associated credit risk on currency derivatives that do not qualify for hedge accounting | 12 | **62.4** | 15.4 |
| Net fair value loss on interest rate hedges that do not qualify for hedge accounting | 13 | **(369.3)** | (84.3) |
| Net fair value gain on other financial liabilities | 13 | **76.3** | 7.9 |
| Net modification gain/(loss) on refinanced borrowing facilities | 13 | **(8.5)** | 2.8 |
| Gain in respect of capital transactions | 14 | **–** | 120.6 |
| Deferred tax benefit/(expense) | 2(v) | **4.4** | (0.4) |
| Expected credit charge relating to COVID-19 | 2(v) | **(303.9)** | – |

# Note 9 Dividends/distributions

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(a) Final dividends/distributions for the year** | | |
| Dividends/distributions in respect of the 6 months to 31 December 2020 | | |
| Parent Company: nil (31 December 2019: nil) | **–** | – |
| SGT1: 4.43 (31 December 2019: 6.85 cents per unit) | **229.7** | 358.3 |
| SGT2: 2.57 (31 December 2019: 4.45 cents per unit) | **133.2** | 232.7 |
| SGT3: nil (31 December 2019: nil) | **–** | – |
| Scentre Group: 7.00 cents per stapled security (31 December 2019: 11.30 cents per stapled security) | **362.9** | 591.0 |

The Group did not pay an interim distribution for the half-year ended 30 June 2020. Final dividends/distributions will be paid on 26 February 2021. The record date for the final dividends/distributions was 5pm, 15 February 2021. The Group does not operate a Distribution Reinvestment Plan.

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(b) Dividends/distributions paid during the year** | | |
| Dividends/distributions in respect of the 6 months to 30 June 2020 | | |
| Parent Company: nil (30 June 2019: nil) | **–** | – |
| SGT1: nil (30 June 2019: 5.70 cents per unit) | **–** | 302.4 |
| SGT2: nil (30 June 2019: 5.60 cents per unit) | **–** | 297.0 |
| SGT3: nil (30 June 2019: nil) | **–** | – |
| Dividends/distributions in respect of the 6 months to 31 December 2019 | | |
| Parent Company: nil (31 December 2018: 2.96 cents per share) [i] | **–** | 157.0 |
| SGT1: 6.85 cents per unit (31 December 2018: 3.40 cents per unit) | **358.3** | 180.3 |
| SGT2: 4.45 cents per unit (31 December 2018: 4.60 cents per unit) | **232.7** | 244.0 |
| SGT3: nil (31 December 2018: 0.12 cents per unit) [i] | **–** | 6.4 |
| | **591.0** | 1,187.1 |

[i] Dividends paid by the Parent Company and distributions paid by SGT3 are franked at the corporate tax rate of 30%.

## (c) Franking credit balance of the Group

As at 31 December 2020, franking credits available for use in future dividends/distributions amount to $139.9 million (31 December 2019: $109.7 million).

## Note 10 Net tangible asset backing

| | **31 Dec 20 $** | 31 Dec 19 $ |
|---|---|---|
| Net tangible asset backing per security | **3.63** | 4.46 |

Net tangible asset backing per security is calculated by dividing net assets (including the right-of-use asset) attributable to members of the Group of $18,828.4 million (31 December 2019: $23,338.6 million) by the number of securities on issue at 31 December 2020 of 5,184,177,688 (31 December 2019: 5,229,975,362).

## Note 11 Statutory earnings/(loss) per security

| | **31 Dec 20 cents** | 31 Dec 19 cents |
|---|---|---|
| **(a) Summary of earnings/(loss) per security attributable to members of Scentre Group** | | |
| Basic earnings/(loss) per stapled security | **(71.92)** | 22.30 |
| Diluted earnings/(loss) per stapled security | **(71.92)** | 22.23 |

The following reflects the income/(loss) data used in the calculations of basic and diluted earnings/(loss) per stapled security:

| | **31 Dec 20 $million** | 31 Dec 19 $million |
|---|---|---|
| Earnings/(loss) used in calculating basic earnings/(loss) per stapled security (i) (ii) | **(3,731.8)** | 1,179.5 |
| Adjustment to earnings/(loss) on employee performance rights which are considered dilutive | **–** | – |
| Earnings/(loss) used in calculating diluted earnings/(loss) per stapled security | **(3,731.8)** | 1,179.5 |

(i) Refer to the income statement for details of the profit/(loss) after tax attributable to members of the Group.

(ii) Comprises net profit attributable to SGL of $65.9 million (31 December 2019: $172.5 million) and net loss attributable to members of SGT1, SGT2 and SGT3 of $3,797.7 million (31 December 2019: profit of $1,007.0 million).

The following reflects the security data used in the calculations of basic and diluted earnings/(loss) per stapled security:

| | **31 Dec 20 Number of securities** | 31 Dec 19 Number of securities |
|---|---|---|
| Weighted average number of ordinary securities used in calculating basic earnings/(loss) per stapled security | **5,188,921,189** | 5,289,057,510 |
| Weighted average number of potential employee performance rights which, if securities were issued, would be dilutive (i) (ii) | **–** | 16,098,179 |
| Adjusted weighted average number of ordinary securities used in calculating diluted earnings/(loss) per stapled security | **5,188,921,189** | 5,305,155,689 |

(i) As at 31 December 2020, 13,599,235 (31 December 2019: 10,993,066) actual employee performance rights are outstanding.

(ii) The number of employee performance rights that could potentially dilute basic earnings per stapled security in the future, but were not included in the calculation of diluted earnings/(loss) per stapled security because they are antidilutive is 13,599,235 (31 December 2019: nil).

| | **31 Dec 20 cents** | 31 Dec 19 cents |
|---|---|---|
| **(b) Summary of earnings per SGL share** | | |
| Basic earnings per SGL share | **1.27** | 3.26 |
| Diluted earnings per SGL share | **1.27** | 3.25 |

Earnings of $65.9 million (31 December 2019: $172.5 million) was used in calculating basic and diluted earnings per SGL share.

The weighted average number of ordinary securities used in calculating basic earnings per SGL share was 5,188,921,189 (31 December 2019: 5,289,057,510).

The adjusted weighted average number of ordinary securities used in calculating diluted earnings per SGL share was 5,202,258,148 (31 December 2019: 5,305,155,689) after adjusting for the weighted average number of potential employee performance rights of 13,336,959 (31 December 2019: 16,098,179) which, if securities were issued, would be dilutive.

# Note 11 Statutory earnings/(loss) per security (continued)

## (c) Conversions, calls, subscription, issues or buy-back after 31 December 2020

There have been no conversions to, calls of, subscriptions for, issuance of new or potential ordinary securities or buy-back of securities since the reporting date and before the completion of this report.

## Accounting Policies

### Earnings per security

Basic earnings per security is calculated as net profit attributable to members divided by the weighted average number of ordinary securities. Diluted earnings per security is calculated as net profit attributable to members adjusted for any profit recognised in the period in relation to dilutive potential ordinary securities, divided by the weighted average number of ordinary securities and dilutive potential ordinary securities.

# Note 12 Currency gain

| | **31 Dec 20 $million** | 31 Dec 19 $million |
|---|---|---|
| Net fair value gain and associated credit risk on currency derivatives that do not qualify for hedge accounting | **62.4** | 15.4 |
| | **62.4** | 15.4 |

The translation of the Group's foreign currency borrowings to Australian dollars has been economically hedged by currency derivative receivables with the same principal values. Therefore the income statement is not sensitive to any movements in exchange rates in relation to these net positions. The recognition of a net gain results from the movement in the fair value calculation of the credit risk on the currency derivative positions only.

## Accounting Policies

Where hedge accounting requirements have been met, gains or losses arising on the movements in the fair value of currency derivatives which hedge net investments in foreign operations are recognised in the foreign currency translation reserve. Where a currency derivative, or portion thereof, is deemed an ineffective hedge for accounting purposes, gains or losses thereon are recognised in the income statement. On disposal of a net investment in foreign operations, the cumulative gains or losses recognised previously in the foreign currency translation reserve are transferred to the income statement.

### Translation of foreign currency transactions

Foreign currency transactions are converted to Australian dollars at exchange rates ruling at the date of those transactions. Amounts payable and receivable in foreign currency at balance date are translated to Australian dollars at exchange rates ruling at that date. Exchange differences arising on the settlement of or on translating amounts payable or receivable in foreign currency at rates different from those at which they were translated on initial recognition, are recognised in the income statement in the period in which they arise, except where hedge accounting is applied.

Refer to Notes 18 and 20 for other items included in currency gain/(loss).

## Note 13 Financing costs

| | **31 Dec 20 $million** | 31 Dec 19 $million |
|---|---|---|
| Gross financing costs (excluding coupon on subordinated notes and net fair value loss on interest rate hedges that do not qualify for hedge accounting) | **(549.7)** | (531.8) |
| Financing costs capitalised to qualifying development projects and construction in progress | **17.7** | 21.6 |
| Interest expense on other financial liabilities | **(23.9)** | (34.5) |
| Lease liabilities interest expense | **(6.4)** | (4.5) |
| | **(562.3)** | (549.2) |
| Net fair value loss on interest rate hedges that do not qualify for hedge accounting | **(369.3)** | (84.3) |
| Net fair value gain on other financial liabilities | **76.3** | 7.9 |
| Net modification gain/(loss) on refinanced borrowing facilities | **(8.5)** | 2.8 |
| Total financing costs (excluding coupon on subordinated notes) | **(863.8)** | (622.8) |
| Coupon on subordinated notes | **(55.5)** | – |
| | **(919.3)** | (622.8) |

### Accounting Policies

**Financing costs**

Financing costs include interest, amortisation of discounts or premiums relating to borrowings and other costs incurred in connection with the arrangement of borrowings. Financing costs are expensed as incurred unless they relate to a qualifying asset. A qualifying asset is an asset which generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the financing costs are capitalised to the cost of the asset. Where funds are borrowed by the Group for the acquisition or construction of a qualifying asset, the financing costs are capitalised.

Refer to Notes 17 and 18 for other items included in financing costs.

## Note 14 Gain in respect of capital transactions

| | **31 Dec 20 $million** | 31 Dec 19 $million |
|---|---|---|
| Asset sales and capital costs | | |
| – proceeds from asset sales | **–** | 2,098.5 |
| – less: carrying value of assets sold and other capital costs | **–** | (1,977.9) |
| Gain in respect of capital transactions | **–** | 120.6 |

# Note 15 Cash and cash equivalents and short term deposits at bank

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(a) Components of cash and cash equivalents and short term deposits at bank** | | |
| Cash | **378.1** | 253.0 |
| Bank overdrafts | **–** | – |
| Total cash and cash equivalents | **378.1** | 253.0 |
| Short term deposits at bank | **2,222.8** | – |
| Total cash and short term deposits at bank | **2,600.9** | 253.0 |
| **(b) Reconciliation of profit/(loss) after tax to net cash flows from operating activities** | | |
| Profit/(loss) after tax | **(3,772.0)** | 1,187.6 |
| Property revaluations | **3,830.8** | 119.3 |
| Share of equity accounted profit/(loss) in excess of dividends/distributions received | **353.3** | (12.1) |
| Deferred tax benefit | **(3.0)** | (5.1) |
| Net fair value gain and associated credit risk on currency derivatives | **(62.4)** | (15.4) |
| Net fair value loss on interest rate hedges that do not qualify for hedge accounting | **369.3** | 84.3 |
| Net fair value gain on other financial liabilities | **(76.3)** | (7.9) |
| Net modification loss/(gain) on refinanced borrowing facilities | **8.5** | (2.8) |
| Gain in respect of capital transactions | **–** | (120.6) |
| Decrease in working capital attributable to operating activities | **36.4** | 73.2 |
| Net cash flows from operating activities | **684.6** | 1,300.5 |
| **(c) Changes in net debt and subordinated notes arising from financing activities** | | |
| Net debt and subordinated notes at the beginning of the year | **13,163.3** | 13,738.2 |
| Proceeds from the issuance of subordinated notes | **4,109.6** | – |
| Short term deposits at bank | **(2,218.0)** | – |
| Net repayment of senior borrowings | **(1,107.8)** | (559.8) |
| Effects of exchange rate changes and fair value movement on currency derivatives | **(134.3)** | (15.1) |
| Net debt and subordinated notes at the end of the year [(i)] | **13,812.8** | 13,163.3 |
| Less: Subordinated notes at the hedged rate | **(4,109.6)** | – |
| Net debt | **9,703.2** | 13,163.3 |

(i) Net debt and subordinated notes primarily comprises interest bearing liabilities of $15,675.8 million (31 December 2019: $13,819.7 million) and net payables on currency derivatives hedging senior borrowings and subordinated notes in foreign currency of $316.8 million (31 December 2019: net receivables of $656.4 million) less short term deposits at bank of $2,222.8 million (31 December 2019: nil).

## Accounting Policies

**Cash and cash equivalents and short term deposits at bank**

Cash and cash equivalents on the balance sheet comprises cash at bank and on hand and short term deposits on demand with an original maturity of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Short term deposits at bank are deposits with an original maturity of 180 days or less and may be subject to certain conditions and penalties for early withdrawal.

Cash and cash equivalents and short term deposits at bank are measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses (if any) are recognised in the income statement.

For purposes of the cash flow statement, cash and cash equivalents includes cash on hand and at bank, short term deposits on demand and bank accepted bills of exchange readily converted to cash net of bank overdrafts. Bank overdrafts are carried at the principal amount.

## Note 16 Interest bearing liabilities

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **Current** | | |
| **Unsecured** | | |
| Commercial paper and uncommitted facilities | | |
| – A$ denominated | **443.5** | 754.7 |
| Notes payable | | |
| – € denominated | **–** | 958.9 |
| – US$ denominated | **649.1** | – |
| – A$ denominated | **400.0** | – |
| | **1,492.6** | 1,713.6 |
| **Non current** | | |
| **Unsecured** | | |
| Bank loans | | |
| – A$ denominated | **310.0** | 1,735.0 |
| – NZ$ denominated | **–** | 986.3 |
| Notes payable | | |
| – € denominated | **4,168.5** | 4,183.3 |
| – US$ denominated | **4,024.4** | 2,993.2 |
| – £ denominated | **1,414.9** | 1,512.3 |
| – A$ denominated | **30.3** | 430.5 |
| – HK$ denominated | **67.0** | – |
| **Secured** | | |
| Bank loans and mortgages | | |
| – A$ denominated | **273.5** | 265.5 |
| | **10,288.6** | 12,106.1 |
| **Total senior borrowings** | **11,781.2** | 13,819.7 |
| Less: Cash and short term deposits at bank | **(2,600.9)** | (253.0) |
| **Total senior borrowings net of cash and short term deposits at bank** | **9,180.3** | 13,566.7 |
| **Non current** | | |
| **Unsecured** | | |
| Subordinated notes | | |
| – US$ denominated | **3,894.6** | – |
| **Total subordinated notes** | **3,894.6** | – |
| **Interest bearing liabilities** | | |
| – Senior borrowings | **11,781.2** | 13,819.7 |
| – Subordinated notes | **3,894.6** | – |
| **Total interest bearing liabilities** | **15,675.8** | 13,819.7 |

The Group maintains a range of interest bearing liabilities. The sources of funding are spread over various counterparties to minimise credit risk and the terms of the instruments are negotiated to achieve a balance between capital availability and the cost of debt. Refer to Note 24 for details relating to fixed rate liabilities and derivatives which hedge floating rate liabilities.

The Group consolidates Carindale Property Trust and the borrowings in this trust are secured by a mortgage over the trust's interest in Westfield Carindale and sundry property. The recorded fair value of Westfield Carindale and sundry property is $735.3 million (31 December 2019: $853.3 million) compared to borrowings of $273.5 million (31 December 2019: $265.5 million).

## Note 16 Interest bearing liabilities (continued)

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(a) Summary of financing facilities** | | |
| Committed financing facilities available to the Group: | | |
| Financing facilities | **19,998.8** | 15,428.2 |
| Senior borrowings | **(11,781.2)** | (13,819.7) |
| Subordinated notes | **(3,894.6)** | – |
| Bank guarantees | **(39.0)** | (55.6) |
| Available financing facilities | **4,284.0** | 1,552.9 |
| Cash and short term deposits at bank | **2,600.9** | 253.0 |
| Financing resources available | **6,884.9** | 1,805.9 |

These facilities comprise fixed rate notes and both secured and unsecured interest only floating rate facilities. Certain facilities are also subject to negative pledge arrangements which require the Group to comply with specific minimum financial and non-financial requirements. These facilities exclude the property linked notes liability of $612.7 million (31 December 2019: $689.0 million). Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

| | Maturity Date | Committed financing facilities 31 Dec 20 $million | Interest bearing liabilities 31 Dec 20 $million | Committed financing facilities 31 Dec 19 $million | Interest bearing liabilities 31 Dec 19 $million |
|---|---|---|---|---|---|
| **(b) Financing facilities and interest bearing liabilities, comprise:** | | | | | |
| Unsecured senior notes payable | | | | | |
| – US$ (i) | Apr 21 to May 30 | **4,673.5** | **4,673.5** | 2,993.2 | 2,993.2 |
| – € (i) | Mar 23 to Mar 29 | **4,168.5** | **4,168.5** | 5,142.2 | 5,142.2 |
| – £ (i) | Apr 22 to Jul 26 | **1,414.9** | **1,414.9** | 1,512.3 | 1,512.3 |
| – HK$ (i) | Apr 30 | **67.0** | **67.0** | – | – |
| – A$ | Sep 21 to Jul 22 | **430.3** | **430.3** | 430.5 | 430.5 |
| Total unsecured senior notes payable | | **10,754.2** | **10,754.2** | 10,078.2 | 10,078.2 |
| Unsecured bank loan facilities | Jan 22 to Sep 25 | **5,050.0** | **310.0** | 5,050.0 | 2,721.3 |
| Unsecured commercial paper and uncommitted facilities (ii) | | **–** | **443.5** | – | 754.7 |
| Secured bank loans and mortgages | Feb 23 | **300.0** | **273.5** | 300.0 | 265.5 |
| | | **16,104.2** | **11,781.2** | 15,428.2 | 13,819.7 |
| Unsecured subordinated notes – US$ (iii) | Sep 80 | **3,894.6** | **3,894.6** | – | – |
| | | **19,998.8** | **15,675.8** | 15,428.2 | 13,819.7 |

(i) The US$, €, £ and HK$ denominated unsecured senior notes payables are economically hedged using cross currency swaps with the same principal values to convert into A$ payables.

(ii) Drawings on the Group's commercial paper program and uncommitted facilities are in addition to the Group's committed facilities and are classified as current interest bearing liabilities. These drawings may be refinanced by non current unsecured bank loan facilities.

(iii) The US$ subordinated notes comprise US$1.5 billion with a non-call period of 6 years and US$1.5 billion with a non-call period of 10 years. The notes may be redeemed by the Group at par at the end of their respective non-call periods or any coupon date thereafter. The unsecured subordinated notes are economically hedged up to the end of their respective non-call periods using cross currency swaps with the same principal values to convert into A$ payables.

## Note 16 Interest bearing liabilities (continued)

| | Maturity Date | **31 Dec 20 Local currency million** | 31 Dec 19 Local currency million |
|---|---|---|---|
| **(c) Maturity of unsecured senior notes payable and subordinated notes** | | | |
| Senior notes payable | | | |
| | 16 Jul 20 | **–** | €600.0 |
| | 28 Apr 21 | **US$500.0** | US$500.0 |
| | 8 Sep 21 | **A$400.0** | A$400.0 |
| | 8 Apr 22 | **£400.0** | £400.0 |
| | 4 Jul 22 | **A$30.3** | A$30.5 |
| | 22 Mar 23 | **€500.0** | €500.0 |
| | 11 Sep 23 | **€512.8** | €517.2 |
| | 16 Jul 24 | **€600.0** | €600.0 |
| | 12 Feb 25 | **US$600.0** | US$600.0 |
| | 28 Oct 25 | **US$500.0** | US$500.0 |
| | 28 Jan 26 | **US$750.0** | – |
| | 16 Jul 26 | **£400.0** | £400.0 |
| | 23 Mar 27 | **US$500.0** | US$500.0 |
| | 11 Apr 28 | **€500.0** | €500.0 |
| | 28 Mar 29 | **€500.0** | €500.0 |
| | 29 Apr 30 | **HK$400.0** | – |
| | 28 May 30 | **US$750.0** | – |
| Total A$ equivalent of unsecured senior notes payable | | **10,754.2** | 10,078.2 |
| Subordinated notes | 24 Sep 80 | **US$3,000.0** | – |
| **Total A$ equivalent of unsecured senior notes payable and subordinated notes** | | **14,648.8** | 10,078.2 |

### Accounting Policies

**Interest bearing liabilities**

Interest bearing liabilities are recognised initially at the fair value of the consideration received less any directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are recorded at amortised cost using the effective interest rate method.

Interest bearing liabilities are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year. Amounts drawn under financing facilities which expire after one year are classified as non current, where the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

Financing costs for interest bearing liabilities are recognised on an accruals basis.

The fair values of the Group’s interest bearing liabilities as disclosed in Note 29 are determined as follows:

- Fair values of quoted notes and bonds are based on price quotations at the reporting date.
- The fair values of unquoted instruments, loans from banks and other non current financial liabilities are estimated by discounting future cash flows using rates that approximate the Group’s borrowing rate at the balance date, for debt with similar maturity, credit risk and terms.

# Note 17 Other financial liabilities

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **Current** | | |
| Property linked notes | **240.2** | – |
| | **240.2** | – |
| **Non current** | | |
| Property linked notes | **372.5** | 689.0 |
| | **372.5** | 689.0 |
| | **612.7** | 689.0 |

The Property Linked Notes (Notes) are designed to provide returns based on the economic performance of certain Westfield Australian super regional and regional shopping centres. When the Notes were originally issued, these centres were: Parramatta, Hornsby and Burwood in Sydney, Southland in Melbourne, Tea Tree Plaza in Adelaide and Belconnen in the Australian Capital Territory (collectively the Westfield centres). The return under the Notes is based on a proportional interest, in respect of the relevant Westfield centre, as specified in the Note (Reference Property Interest). Redemption events under the Notes include non performance events by the Issuer, changes in tax laws and sale of the relevant Westfield centre. The Notes may also be redeemed at a Review Date.

The redemption value of a Note is effectively calculated as the market value of the Note holder's Reference Property Interest at the date of redemption and the final coupon (if applicable). The Notes were initially recorded at fair value and are subsequently remeasured at fair value each reporting period. The fair value of the Notes is determined by reference to the fair value of the relevant Westfield centre with the gains or losses recorded through the income statement. Accordingly, the gains or losses recorded through the income statement are directly related to the revaluation of the relevant Westfield centre. On redemption, the obligation to pay the amount due on the Notes can, in certain circumstances, be satisfied by the transfer of the underlying Reference Property Interest to the Note holder. The Notes are subordinated to all other secured and unsecured debt of the Group. The Notes are guaranteed (on a subordinated basis) by the Parent Company and RE1 Limited as responsible entity of SGT2.

$857.8 million of the Notes have been repaid and terminated since the Notes were originally issued. The review dates for the remaining Notes linked to Parramatta, Southland and Hornsby are 31 December 2021, 2022 and 2023, respectively. The coupon on the Notes is payable quarterly on 15 March, 15 June, 15 September and 15 December each year for as long as the Notes remain outstanding.

## Accounting Policies

**Other financial liabilities**

Other financial liabilities pertain to property linked notes. Where there is a minimum distribution entitlement and/or the redemption terms include the settlement for cash on redemption, the instrument is classified as a financial liability and is designated as fair value through the income statement.

The fair value of property linked notes is determined by reference to the fair value of the underlying linked property investments.

## Note 18 Derivative assets and liabilities

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(a) Derivative assets** | | |
| **Current** | | |
| Receivables on currency derivatives hedging NZ$ net assets | **7.5** | – |
| Receivables on currency derivatives hedging senior borrowings in foreign currency | **0.3** | 89.9 |
| Receivables on interest rate derivatives | **2.1** | 4.7 |
| | **9.9** | 94.6 |
| **Non current** | | |
| Receivables on currency derivatives hedging senior borrowings in foreign currency | **297.5** | 587.8 |
| Receivables on interest rate derivatives | **424.4** | 319.4 |
| | **721.9** | 907.2 |
| **(b) Derivative liabilities** | | |
| **Current** | | |
| Payables on currency derivatives hedging NZ$ net assets | **5.9** | – |
| Payables on interest rate derivatives | **34.5** | 15.8 |
| | **40.4** | 15.8 |
| **Non current** | | |
| Payables on currency derivatives hedging senior borrowings in foreign currency | **399.6** | 21.3 |
| Payables on currency derivatives hedging subordinated notes in foreign currency | **215.0** | – |
| Payables on interest rate derivatives | **815.6** | 535.7 |
| | **1,430.2** | 557.0 |

The Group's derivatives above do not meet the accounting requirements to qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement. At 31 December 2020, the aggregate fair value is a net payable of $738.8 million (31 December 2019: net receivable of $429.0 million). The change in fair value for the year ended 31 December 2020 was a net loss of $1,167.8 million (31 December 2019: loss of $285.8 million). During the year, the Group cancelled derivatives following the issuance of subordinated notes resulting in a payment of $204.3 million (31 December 2019: nil).

The Group presents the fair value mark to market of its derivative assets and derivative liabilities on a gross basis. Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, however do not meet the criteria for offsetting in the balance sheet. As at 31 December 2020, if these netting arrangements were applied to the derivative portfolio, derivative assets of $731.8 million would be reduced by $514.0 million to the net amount of $217.8 million and derivative liabilities of $1,470.6 million would be reduced by $514.0 million to the net amount of $956.6 million. As at 31 December 2019, derivative assets of $1,001.8 million would be reduced by $429.7 million to the net amount of $572.1 million and derivative liabilities of $572.8 million would be reduced by $429.7 million to the net amount of $143.1 million.

### Accounting Policies

**Derivative financial instruments**

The Group utilises derivative financial instruments, including forward exchange contracts, interest rate options and currency and interest rate swaps to manage the risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are recognised at fair value.

The Group has set defined policies and implemented a comprehensive hedging program to manage interest and exchange rate risks. Derivative instruments are transacted to achieve the economic outcomes in line with the Group's treasury policy and hedging program. Derivative instruments are not transacted for speculative purposes. Accounting standards require detailed compliance with documentation, designation and effectiveness parameters before a derivative financial instrument is deemed to qualify for hedge accounting treatment. Where these requirements are not met, derivative instruments are deemed not to qualify for hedge accounting and changes in fair value are recorded in the income statement.

Gains or losses arising on the movements in the fair value of currency derivatives which hedge net investments in foreign operations are recognised in the foreign currency translation reserve where hedge accounting requirements have been met. Where a currency derivative, or portion thereof, is deemed an ineffective hedge for accounting purposes, gains or losses thereon are recognised in the income statement. On disposal of a net investment in foreign operations, the cumulative gains or losses recognised previously in the foreign currency translation reserve are transferred to the income statement.

The fair value of derivatives has been determined with reference to market observable inputs for contracts with similar maturity profiles. The valuation is a present value calculation which incorporates interest rate curves, foreign exchange spot and forward rates, option volatilities and the credit quality of counterparties.

# Note 19 Contributed equity

| | 31 Dec 20 Number of securities | 31 Dec 19 Number of securities |
|---|---|---|
| **(a) Number of securities on issue** | | |
| Balance at the beginning of the year | **5,229,975,362** | 5,304,295,769 |
| Decrease in number of securities [i] | **(45,797,674)** | (74,320,407) |
| **Balance at the end of the year [ii]** | **5,184,177,688** | 5,229,975,362 |

[i] The decrease in number of securities comprises the buy-back and cancellation of 48,379,593 securities (31 December 2019: 78,239,274 securities) offset by 2,581,919 securities (31 December 2019: 3,918,867 securities) transferred to executives and which were previously held by the Scentre Executive Option Plan Trust.

[ii] The number of securities on issue as at 31 December 2020 was 5,190,378,339 (31 December 2019: 5,238,757,932). The Scentre Executive Option Plan Trust holds 6,200,651 (31 December 2019: 8,782,570) securities in the Group, which have been consolidated and eliminated in accordance with accounting standards.

Holders of Scentre Group stapled securities have the right to receive declared dividends from the Parent Company and distributions from SGT1, SGT2 and SGT3 and, in the event of winding up the Parent Company, SGT1, SGT2 and SGT3, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on stapled securities held.

Holders of stapled securities can vote their shares and units in accordance with the Corporations Act, either in person or by proxy, at a meeting of any of the Parent Company, SGT1, SGT2 and SGT3 (as the case may be).

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(b) Amount of contributed equity attributable to members of Scentre Group** | | |
| Balance at the beginning of the year | **10,164.0** | 10,465.1 |
| Decrease in contributed equity [i] | **(173.2)** | (301.1) |
| Balance at the end of the year [ii] | **9,990.8** | 10,164.0 |

[i] The decrease in contributed equity comprises the buy-back and cancellation of securities and associated costs of $174.9 million (31 December 2019: $303.6 million) offset by the impact of securities transferred to executives and which were previously held by the Scentre Executive Option Plan Trust of $1.7 million (31 December 2019: $2.5 million).

[ii] Comprises contributed equity attributable to SGL of $661.0 million (31 December 2019: $666.0 million) and contributed equity attributable to members of SGT1, SGT2 and SGT3 of $9,329.8 million (31 December 2019: $9,498.0 million).

## Accounting Policies

### Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising from the issue of ordinary securities are recognised directly in equity as a reduction of the proceeds received.

# Note 20 Reserves

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(a) Total reserves attributable to members of Scentre Group** | | |
| Foreign currency translation reserve | **88.1** | 101.2 |
| Employee share plan benefits reserve | **16.0** | 17.1 |
| Balance at the end of the year [(i)] | **104.1** | 118.3 |

[(i)] Comprises reserves attributable to SGL of $15.1 million (31 December 2019: $17.3 million) and reserves attributable to members of SGT1, SGT2 and SGT3 of $89.0 million (31 December 2019: $101.0 million).

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(b) Movement in foreign currency translation reserve** | | |
| Balance at the beginning of the year | **101.2** | 98.1 |
| Foreign exchange movement | | |
| – realised and unrealised differences on the translation of investment in foreign operations | **(13.1)** | 3.1 |
| Balance at the end of the year | **88.1** | 101.2 |

The foreign currency translation reserve is used to record net exchange differences arising from the translation of the net investments, including qualifying hedges, in foreign controlled and equity accounted entities.

## Accounting Policies

**Translation of accounts of foreign operations**

The functional and presentation currency of the Parent Company and its Australian subsidiaries is Australian dollars. The functional currency of the New Zealand entities is New Zealand dollars. The presentation currency of the overseas entities is Australian dollars to enable the consolidated financial statements of the Group to be reported in a common currency.

The balance sheets of foreign subsidiaries and equity accounted investments are translated at exchange rates ruling at balance date and the income statement of foreign subsidiaries and equity accounted investments are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign operations are taken directly to the foreign currency translation reserve.

Refer to Note 18 for other items included in foreign currency translation reserve.

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(c) Movement in employee share plan benefits reserve** | | |
| Balance at the beginning of the year | **17.1** | 10.6 |
| Movement in equity settled share based payment | **(1.1)** | 6.5 |
| Balance at the end of the year | **16.0** | 17.1 |

The employee share plan benefits reserve is used to record the value of share based payments provided to employees as part of their remuneration.

# Note 21 Retained profits

| | Note | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|---|
| **Movement in retained profits attributable to members of Scentre Group** | | | |
| Balance at the beginning of the year | | **13,056.3** | 13,063.9 |
| Profit/(loss) after tax for the period | | **(3,731.8)** | 1,179.5 |
| Dividends/distributions paid | 9(b) | **(591.0)** | (1,187.1) |
| Balance at the end of the year [(i)] | | **8,733.5** | 13,056.3 |

[(i)] Comprises retained profits attributable to SGL of $282.4 million (31 December 2019: $216.5 million) and retained profits attributable to members of SGT1, SGT2 and SGT3 of $8,451.1 million (31 December 2019: $12,839.8 million).

## Note 22 Capital risk management

The Group seeks to manage its capital requirements to maximise value to members through the mix of debt and equity funding, while ensuring that Group entities:

- comply with capital and distribution requirements of their constitutions and/or trust deeds;
- comply with capital requirements of relevant regulatory authorities;
- maintain strong investment grade credit ratings; and
- continue to operate as going concerns.

The Group assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its broader strategic plan. The Group continuously reviews its capital structure to ensure:

- sufficient funds and financing facilities, on a cost effective basis, are available to implement the Group's property development and business acquisition strategies;
- financing facilities for unforeseen contingencies are maintained; and
- distributions to members are maintained within the stated distribution policy.

The Group is able to alter its capital mix by issuing new stapled securities and hybrid securities, establishing a distribution reinvestment plan, electing to have the distribution reinvestment underwritten, adjusting the amount of distributions paid to members, activating a security buy-back program, divesting assets or adjusting the timing of capital expenditure for its property redevelopment pipeline.

The Group also protects its equity in assets by taking out insurance.

## Note 23 Financial risk management

The Group's principal financial instruments comprise cash, short term deposits at bank, receivables, payables, interest bearing liabilities, other financial liabilities and derivative financial instruments.

The Group manages its exposure to key financial risks in accordance with the Group's treasury risk management policies. These policies have been established to manage the key financial risks such as interest rate, foreign exchange, counterparty credit and liquidity.

The Group's treasury risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and procedures, has developed a control environment in which relevant treasury and finance personnel understand their roles and obligations in respect of the Group's treasury management objectives.

The Group has an established Board approved risk management framework including policies, procedures, limits and allowed types of derivative financial instruments. The Audit and Risk Committee reviews and oversees management's compliance with these policies, procedures and limits. The Audit and Risk Committee is assisted in its oversight role by the Group's Executive Risk Management Committee.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates, foreign exchange, liquidity and credit risk. The Group enters into derivative financial instruments, principally interest rate swaps, interest rate options, cross currency swaps, forward exchange contracts and currency options. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's operations, cash flows, interest bearing liabilities and its net investments in foreign operations. The Group seeks to deal only with creditworthy counterparties and these assessments are regularly reviewed. Liquidity risk is monitored through the use of rolling cash flow forecasts.

## Note 24 Interest rate risk management

The Group is exposed to interest rate risk on its interest bearing liabilities and derivative financial instruments. This risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate interest bearing liabilities. Fixed rate liabilities are achieved either through fixed rate funding or through the use of derivative financial instruments in accordance with a Board approved policy. These activities are evaluated regularly to determine that the Group is not exposed to interest rate movements that could adversely impact its ability to meet its financial obligations and to comply with its borrowing covenants.

### Summary of interest rate positions at balance date

The Group's interest rate risk exposures at reporting date including the relevant financial instruments used to manage these exposures are as follows:

| | Note | **31 Dec 20 $million** | 31 Dec 19 $million |
|---|---|---|---|
| Principal amounts of interest bearing assets/(liabilities): | | | |
| Senior borrowings | 16 | **(11,781.2)** | (13,819.7) |
| Subordinated notes | 16 | **(3,894.6)** | – |
| Cross currency swaps | | | |
| – A$ relating to senior borrowings | | **(10,457.5)** | (8,953.1) |
| – A$ relating to subordinated notes | | **(4,109.6)** | – |
| – US$3,600.0 million (31 December 2019: US$2,100.0 million) | | **4,673.5** | 2,993.2 |
| – US$3,000.0 million relating to subordinated notes (31 December 2019: nil) | | **3,894.6** | – |
| – €2,600.0 million (31 December 2019: €3,200.0 million) | | **4,148.1** | 5,114.3 |
| – £800.0 million (31 December 2019: £800.0 million) | | **1,414.9** | 1,512.3 |
| – HK$400.0 million (31 December 2019: nil) | | **67.0** | – |
| Foreign currency swaps | | | |
| – A$ | | **1,384.1** | – |
| – NZ$1,474.6 million (31 December 2019: nil) | | **(1,382.5)** | – |
| Cash and cash equivalents | 2(v) | **404.8** | 261.0 |
| Short term deposits at bank | 2(v) | **2,222.8** | – |
| Principal amounts of net interest bearing liabilities | | **(13,415.6)** | (12,892.0) |
| Principal amounts of fixed interest rate assets/(liabilities): | | | |
| Fixed rate debt and subordinated notes | | | |
| – A$ | | **(430.0)** | (430.0) |
| – US$3,600.0 million (31 December 2019: US$2,100.0 million) | | **(4,673.5)** | (2,993.2) |
| – US$3,000.0 million subordinated notes (31 December 2019: nil) | | **(3,894.6)** | – |
| – €2,600.0 million (31 December 2019: €3,200.0 million) | | **(4,148.1)** | (5,114.3) |
| – £800.0 million (31 December 2019: £800.0 million) | | **(1,414.9)** | (1,512.3) |
| – HK$400.0 million (31 December 2019: nil) | | **(67.0)** | – |
| Fixed rate derivatives | | | |
| – A$ | | **(7,340.0)** | (9,860.0) |
| – NZ$805.0 million (31 December 2019: NZ$755.0 million) | | **(754.7)** | (724.4) |
| – US$3,600.0 million (31 December 2019: US$2,100.0 million) | | **4,673.5** | 2,993.2 |
| – US$3,000.0 million relating to subordinated notes (31 December 2019: nil) | | **3,894.6** | – |
| – €2,600.0 million (31 December 2019: €3,200.0 million) | | **4,148.1** | 5,114.3 |
| – £800.0 million (31 December 2019: £800.0 million) | | **1,414.9** | 1,512.3 |
| – HK$400.0 million (31 December 2019: nil) | | **67.0** | – |
| Other derivatives [(i)] | | | |
| – A$ | | **(1,000.0)** | – |
| Principal amounts of net interest bearing liabilities hedged by fixed rate instruments and derivatives | | **(9,524.7)** | (11,014.4) |

(i) The Group has entered into callable swaps with an aggregate principal value of A$1.0 billion, where floating rate payments are swapped to fixed rate payments from February 2020 until February 2026. The callable swaps may be terminated by the counterparty at no cost on a quarterly basis commencing from June 2020 until February 2026.

# Note 24 Interest rate risk management (continued)

At 31 December 2020, the Group has hedged 71% of its net interest bearing liabilities by way of fixed rate borrowings, subordinated notes and interest rate derivatives of varying durations. The remaining 29% is exposed to floating rates on a principal payable of $3,890.9 million, at an interest rate based on an interbank benchmark rate and applicable margins (31 December 2019: 85% hedged with floating exposure on a principal payable of $1,877.6 million).

## Interest rate sensitivity

The sensitivity of interest expense to changes in the floating exposure interest rate is proportional. Assuming the floating interest payable exposure remains unchanged, an increase or decrease in interest rates of 100 basis points would increase or decrease interest expense by $38.9 million (31 December 2019: $18.8 million) respectively for the next 12 months.

The fair values of derivatives used by the Group are also sensitive to changes in interest rates and are as follows:

| | **31 Dec 20 $million** | 31 Dec 19 $million |
|---|---|---|
| Interest rate movement | Increase/(decrease) in fair value | |
| -2.0% | **1,108.6** | 100.7 |
| -1.0% | **460.2** | 46.0 |
| -0.5% | **235.9** | 21.9 |
| 0.5% | **(231.3)** | (20.0) |
| 1.0% | **(454.1)** | (38.1) |
| 2.0% | **(868.1)** | (69.3) |

The assumed movement in basis points for the interest rate sensitivity analysis is based on the current observable market environment.

All fixed rate interest bearing liabilities are carried at amortised cost, therefore increases or decreases arising from changes in fair value have not been recorded in these financial statements.

## Note 25 Exchange rate risk management

The Group is exposed to exchange rate risks primarily on its foreign currency denominated liabilities and its investment in New Zealand. The Group manages these exposures by entering into currency derivative instruments and by borrowing in New Zealand dollars.

### Summary of foreign currency balance sheet positions at balance date

The Group's significant foreign exchange risk exposures at reporting date including the relevant financial instruments used to manage these exposures are as follows:

| | **31 Dec 20 million** | 31 Dec 19 million |
|---|---|---|
| **New Zealand Dollar** | | |
| Investment in New Zealand | **NZ$1,502.6** | NZ$1,659.2 |
| Short term deposits at bank | **NZ$420.0** | – |
| Borrowings | **–** | NZ$(1,028.0) |
| Foreign currency swaps | **NZ$(1,474.6)** | – |
| NZ$ denominated net assets | **NZ$448.0** | NZ$631.2 |
| **US Dollar** | | |
| Cash and cash equivalents | **US$0.7** | US$0.5 |
| Borrowings | **US$(3,600.0)** | US$(2,100.0) |
| Cross currency swaps | **US$3,600.0** | US$2,100.0 |
| US$ denominated net assets | **US$0.7** | US$0.5 |
| **US Dollar – Subordinated notes** | | |
| Subordinated notes | **US$(3,000.0)** | – |
| Cross currency swaps | **US$3,000.0** | – |
| US$ denominated net assets | **–** | – |
| **British Pound** | | |
| Borrowings | **£(800.0)** | £(800.0) |
| Cross currency swaps | **£800.0** | £800.0 |
| £ denominated net assets | **–** | – |
| **Euro** | | |
| Borrowings | **€(2,600.0)** | €(3,200.0) |
| Cross currency swaps | **€2,600.0** | €3,200.0 |
| € denominated net assets | **–** | – |
| **Hong Kong Dollar** | | |
| Borrowings | **HK$(400.0)** | – |
| Cross currency swaps | **HK$400.0** | – |
| HK$ denominated net assets | **–** | – |

During the year, the Group issued foreign currency senior notes payable of US$1.5 billion and HK$400.0 million. In addition, subordinated notes of US$3.0 billion were issued. Proceeds were used to repay current interest bearing liabilities and other Australian dollar and New Zealand dollar borrowings.

Foreign exchange gains or losses arising from the translation of interests in foreign operations and the fair value gains or losses from currency derivatives where hedge accounting requirements are met, are taken directly to the foreign currency translation reserve. Where the Group does not satisfy the hedge accounting requirements, the changes in fair value are reflected in the income statement.

# Note 25 Exchange rate risk management (continued)

## Foreign currency sensitivity

The Group's sensitivity to movements in foreign exchange rates mainly arises from its NZ$ denominated net assets.

The fair values of A$/NZ$ derivatives used by the Group are also sensitive to changes in exchange rates and are as follows:

| A$/NZ$ Currency movement | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| | Increase/(decrease) in fair value | |
| - 20 cents | **(319.0)** | – |
| - 10 cents | **(143.0)** | – |
| - 5 cents | **(68.0)** | – |
| + 5 cents | **61.9** | – |
| + 10 cents | **118.5** | – |
| + 20 cents | **218.3** | – |

The assumed currency movement for the foreign currency sensitivity analysis is based on the current observable market environment.

The US$, €, £ and HK$ denominated notes payable exposures and the subordinated notes exposures (up to the end of the respective non-call periods) are economically hedged using cross currency swaps with the same principal values to convert into A$ payables. Therefore the income statement is not sensitive to any movements in exchange rates in relation to these net positions.

# Note 26 Credit risk management

The Group's credit risk arises from financial assets such as cash and cash equivalents, short term deposits at bank, trade and other receivables and favourable derivative financial instruments. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group generally considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For cash, short term deposits and derivative instruments with banks and other financial institutions, credit limits have been established to ensure that the Group deals only with approved counterparties, counterparty concentration risk is addressed and the risk of loss is mitigated. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Group, after allowing for appropriate set offs which are legally enforceable. A maximum credit limit is allocated to each counterparty based on its credit rating. The counterparty credit risk associated with investment instruments is assessed based on its outstanding face value.

In accordance with the Group's policy, credit risk in respect of cash, short term deposits and derivative financial instruments is spread among a number of creditworthy counterparties within specified limits. The Group had 73% (31 December 2019: 44%) of its aggregate credit risk spread over four counterparties each with an S&P long term rating of A or higher. The remainder is spread over counterparties each with less than 10% of the aggregate credit risk and with an S&P long term rating of A or higher.

For trade and other receivables, there are no significant concentrations of credit risk. The Group also obtains security deposits from tenants in the form of cash or bank guarantees which can be called upon if the tenant is in default under the terms of the lease contract. Credit risk due to the impact of the COVID-19 pandemic and the assessment of expected credit loss on trade and other receivables are discussed in Note 3.

The maximum exposure to credit risk at balance date is the aggregate of the carrying amounts of financial assets as disclosed in Note 29.

## Note 27 Liquidity risk management

The Group undertakes active liquidity and funding risk management to enable it to have sufficient funds available to meet its financial obligations as and when they fall due, and for working capital and expected committed capital expenditure requirements. The Group prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

Refer to Note 16 for details of interest bearing liabilities and financing facilities. The maturity profiles of the principal amounts of interest bearing liabilities including aggregate future estimated nominal interest and the future estimated nominal cash flows of derivative financial instruments are set out below:

| | **31 Dec 20 $million** | 31 Dec 19 $million |
|---|---|---|
| **Senior borrowings and interest** | | |
| Due within one year | **(1,835.8)** | (2,041.4) |
| Due between one year and five years | **(6,300.4)** | (8,177.2) |
| Due after five years | **(5,278.7)** | (5,078.3) |
| | **(13,414.9)** | (15,296.9) |
| **Subordinated notes and interest** | | |
| Due within one year | **(192.3)** | – |
| Due between one year and five years | **(769.2)** | – |
| Due between five years and ten years | **(961.5)** | – |
| Due after ten years | **(13,465.0)** | – |
| | **(15,388.0)** | – |
| Comprising: | | |
| – principal amounts of current and non current senior borrowings | **(11,781.2)** | (13,819.7) |
| – aggregate future estimated nominal interest of senior borrowings | **(1,633.7)** | (1,477.2) |
| – principal amounts of non current subordinated notes | **(3,894.6)** | – |
| – aggregate future estimated nominal interest of subordinated notes | **(11,493.4)** | – |
| | **(28,802.9)** | (15,296.9) |
| **Derivatives inflows/(outflows)** | | |
| Due within one year | **(124.1)** | (51.6) |
| Due between one year and five years | **(29.0)** | (79.3) |
| Due after five years | **(665.5)** | 223.4 |
| | **(818.6)** | 92.5 |

Contingent liabilities are set out in Note 35 and are not included in the amounts shown above.

## Note 28 Financial covenants

The Group is required to comply with certain financial covenants in respect of its unsecured borrowing facilities and bond offerings. The major financial covenants are summarised as follows:

a) Leverage ratio (net debt to net assets)
   - shall not exceed 65%

b) Secured debt ratio (secured debt to total assets)
   - shall not exceed 40% (and not exceed 45% on certain facilities)

c) Interest cover ratio (EBITDA to interest expense excluding gains or losses from mark to market)
   - at least 1.5 times

d) Unencumbered leverage ratio (unencumbered assets to unsecured debt)
   - at least 150% (and at least 125% on certain facilities)

At and during the years ended 31 December 2020 and 2019, the Group was in compliance with the financial covenants above.

# Note 29 Fair value of financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments.

| | Fair value Hierarchy | Fair value **31 Dec 20 $million** | Fair value 31 Dec 19 $million | Carrying amount **31 Dec 20 $million** | Carrying amount 31 Dec 19 $million |
|---|---|---|---|---|---|
| **Consolidated assets** | | | | | |
| Cash and cash equivalents | | **378.1** | 253.0 | **378.1** | 253.0 |
| Short term deposits at bank | | **2,222.8** | – | **2,222.8** | – |
| Trade and other receivables (i) | | **226.1** | 164.3 | **226.1** | 164.3 |
| Interest receivable (i) | | **167.4** | 104.2 | **167.4** | 104.2 |
| Derivative assets (ii) | Level 2 | **731.8** | 1,001.8 | **731.8** | 1,001.8 |
| **Consolidated liabilities** | | | | | |
| Trade and other payables (i) | | **778.2** | 811.9 | **778.2** | 811.9 |
| Interest payable (i) | | **293.7** | 199.3 | **293.7** | 199.3 |
| Interest bearing liabilities (ii) | | | | | |
| – Fixed rate debt | Level 2 | **11,572.6** | 10,584.5 | **10,754.2** | 10,078.2 |
| – Fixed rate subordinated notes | Level 2 | **4,089.3** | – | **3,894.6** | – |
| – Floating rate debt | Level 2 | **1,027.2** | 3,740.9 | **1,027.0** | 3,741.5 |
| Other financial liabilities (ii) | Level 3 | **612.7** | 689.0 | **612.7** | 689.0 |
| Derivative liabilities (ii) | Level 2 | **1,470.6** | 572.8 | **1,470.6** | 572.8 |

(i) These financial assets and liabilities are not subject to interest rate risk and the fair value approximates carrying amount.

(ii) These financial assets and liabilities are subject to interest rate and market risks, the basis of determining the fair value is set out in the fair value hierarchy below.

## Determination of fair value

The Group uses the following hierarchy for determining and disclosing the fair value of a financial instrument. The valuation techniques comprise:

Level 1: the fair value is calculated using quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: the fair value is estimated using inputs other than quoted prices that are observable, either directly (as prices) or indirectly (derived from prices).

Level 3: the fair value is estimated using inputs that are not based on observable market data.

In assessing the fair value of the Group's financial instruments, consideration is given to available market data and if the market for a financial instrument changes then the valuation technique applied will change accordingly.

During the year, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

| | **Property linked notes (i) 31 Dec 20 $million** | Property linked notes (i) 31 Dec 19 $million |
|---|---|---|
| **Level 3 fair value movement** | | |
| Balance at the beginning of the year | **689.0** | 696.9 |
| Net fair value gain included in financing costs in the income statement | **(76.3)** | (7.9) |
| Balance at the end of the year | **612.7** | 689.0 |

(i) The fair value of the property linked notes has been determined by reference to the fair value of the relevant Westfield shopping centres (refer to Note 17).

Investment properties are considered Level 3, refer to Note 4: Investment properties and Note 5: Details of shopping centre investments for relevant fair value disclosures.

## Note 30 Other significant accounting policies

### (a) Consolidation and classification

This consolidated financial report comprises the financial statements and notes to the financial statements of the Parent Company, and each of its controlled entities which includes SGT1, SGT2 and SGT3 from the date the Parent Company obtained control and until such time control ceased. The Parent Company and Subsidiaries are collectively referred to as the economic entity known as the Group. Where entities adopt accounting policies which differ from those of the Parent Company, adjustments have been made so as to achieve consistency within the Group.

In preparing the consolidated financial statements all inter-entity transactions and balances, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

**i) Synchronisation of Financial Year**

By an order dated 27 June 2005, made by the Australian Securities and Investments Commission (ASIC) pursuant to subsection 340(1) of the Corporations Act, the Directors of the Parent Company have been relieved from compliance with subsection 323D(3) of the Corporations Act insofar as that subsection requires them to ensure the financial year of the controlled entity Carindale Property Trust (CDP), coincides with the financial year of the Parent Company.

Notwithstanding that the financial year of CDP ends on 30 June, the consolidated financial statements have been prepared so as to include the accounts for a period coinciding with the financial year of the Parent Company being 31 December.

**ii) Joint arrangements**

*Joint operations*

The Group has significant co-ownership interests in a number of properties through unincorporated joint ventures. These interests are held directly and jointly as tenants in common. The Group has the rights to the individual assets and obligations arising from these interests and recognises its share of the assets, liabilities, revenues and expenses of the operation.

*Joint ventures*

The Group has significant co-ownership interests in a number of properties through property partnerships or trusts. These joint ventures are accounted for using the equity method of accounting.

The Group and its joint ventures use consistent accounting policies. Investments in joint ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The consolidated income statement reflects the Group's share of the results of operations of the joint ventures.

**iii) Controlled entities**

Where an entity either began or ceased to be a controlled entity during the reporting period, the results are included only from the date control commenced or up to the date control ceased. Non controlling interests are shown as a separate item in the consolidated financial statements.

### (b) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on the purchase of goods and services is not recoverable from the tax authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amounts of GST included.

The net amount of GST payable or receivable to government authorities is included as part of receivables or payables on the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

Commitments and contingent liabilities are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (c) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days.

### (d) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of the impairment exists, the Group makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

## Note 31 Share based payments

| | Note | 31 Dec 20 Number of rights | 31 Dec 19 Number of rights |
|---|---|---|---|
| **(a) Rights over Scentre Group stapled securities** | | | |
| – Performance rights – STAR | 31(b)(i) | **3,570,670** | 3,378,968 |
| – Performance rights – LTAR | 31(b)(ii) | **3,331,335** | 7,614,098 |
| – Performance rights – Retention awards | 31(b)(iii) | **6,697,230** | – |
| | | **13,599,235** | 10,993,066 |

### (b) Equity settled share based payments

#### (i) Performance rights – STAR – Equity settled over Scentre Group stapled securities (Performance rights – STAR)

| | 31 Dec 20 Number of rights | 31 Dec 19 Number of rights |
|---|---|---|
| **Movement in Performance rights – STAR** | | |
| Balance at the beginning of the year | **3,378,968** | 3,638,973 |
| Rights issued during the year | **1,957,973** | 1,911,442 |
| Rights exercised during the year | **(1,623,758)** | (1,616,270) |
| Rights forfeited during the year | **(142,513)** | (555,177) |
| Balance at the end of the year | **3,570,670** | 3,378,968 |

| Vesting profile | 31 Dec 20 Fair value granted $million | 31 Dec 20 Number of rights at(i) | 31 Dec 19 Fair value granted $million | 31 Dec 19 Number of rights at(i) |
|---|---|---|---|---|
| 2020 | **–** | **–** | 6.1 | 1,665,206 |
| 2021 | **5.7** | **1,667,791** | 5.9 | 1,713,762 |
| 2022 | **6.2** | **1,902,879** | – | – |
| | **11.9** | **3,570,670** | 12.0 | 3,378,968 |

(i) The exercise price for these rights is nil.

### Accounting Policies

**Performance rights – STAR**

The Performance rights – STAR is a plan in which senior executives and high performing employees participate. The fair value of the rights issued is measured at each grant date using a Black Scholes option pricing model. The inputs include the Group's 10-day volume weighted average security price prior to the grant date, the risk free interest rate, expected volatility and expected dividend yield during the vesting period. Expected volatility is based on the historical security price volatility over the past 3 years. Executives are not able to call for early exercise of the rights, however there are provisions in the plan to allow for early vesting at the discretion of the Board. Vesting conditions such as the number of employees remaining in service is taken into account in determining the total amortisation for each reporting period.

The terms of the Performance rights – STAR are described in section 7.14 of the Directors' Report.

# Note 31 Share based payments (continued)

## (b) Equity settled share based payments (continued)

### (ii) Performance rights – LTAR – Equity settled over Scentre Group stapled securities (Performance rights – LTAR)

| | **31 Dec 20 Number of rights** | 31 Dec 19 Number of rights |
|---|---|---|
| **Movement in Performance rights – LTAR** | | |
| Balance at the beginning of the year | **7,614,098** | 7,334,982 |
| Rights issued during the year | **–** | 3,657,645 |
| Rights exercised during the year | **(1,282,879)** | (2,522,796) |
| Rights vested at zero during the year | **(2,999,884)** | (855,733) |
| Balance at the end of the year | **3,331,335** | 7,614,098 |

| **Vesting profile** | **31 Dec 20 Fair value granted $million** | **31 Dec 20 Number of rights at[(i)]** | 31 Dec 19 Fair value granted $million | 31 Dec 19 Number of rights at[(i)] |
|---|---|---|---|---|
| 2020 | **–** | **–** | 10.0 | 2,749,979 |
| 2021 | **–** | **1,626,648** | 11.0 | 3,159,432 |
| 2022 | **–** | **1,704,687** | 5.5 | 1,704,687 |
| | **–** | **3,331,335** | 26.5 | 7,614,098 |

(i) The exercise price for these rights is nil.

## Accounting Policies

### Performance rights – LTAR

The senior leadership team of Scentre Group participate in the Performance rights – LTAR. The fair value of the rights issued is measured at each grant date using a Black Scholes option pricing model. The inputs include the Group's 10-day volume weighted average security price prior to the grant date, the risk free interest rate, expected volatility and expected dividend yield during the vesting period. Expected volatility is based on the historical security price volatility over the past 3 years. Other vesting conditions include meeting the performance hurdles applicable under the Performance rights – LTAR as determined annually by the Human Resources Committee. Refer to section 7.5 of the Directors' Report for commentary concerning the LTAR outcomes for the 2018 plan and performance updates for the 2019 plan. The hurdles chosen by the Human Resources Committee for the 2020 qualifying year are set out in section 7.5 of the Directors' Report. Vesting conditions such as number of employees remaining in service is taken into account in determining the total amortisation for each reporting period. In calculating the Black Scholes' value of rights granted it has been assumed that the performance hurdle conditions are met. The terms of the Performance rights – LTAR are described in section 7.14 of the Directors' Report.

# Note 31 Share based payments (continued)

## (b) Equity settled share based payments (continued)

### (iii) Performance rights – Retention awards – Equity settled over Scentre Group stapled securities

| | 31 Dec 20 Number of rights | 31 Dec 19 Number of rights |
|---|---|---|
| **Movement in Performance rights – Retention awards** | | |
| Balance at the beginning of the year | **–** | – |
| Rights issued during the year | **6,697,230** | – |
| Balance at the end of the year | **6,697,230** | – |

| Vesting profile | 31 Dec 20 Fair value granted $million | 31 Dec 20 Number of rights at[i] | 31 Dec 19 Fair value granted $million | 31 Dec 19 Number of rights at[i] |
|---|---|---|---|---|
| 2023 | **6.1** | **3,348,622** | – | – |
| 2024 | **5.8** | **3,348,608** | – | – |
| | **11.9** | **6,697,230** | – | – |

[i] The exercise price for these rights is nil.

## Accounting Policies

### Performance rights – Retention awards

During the year, retention awards were issued to the senior leadership team in order to retain their services as they are integral to the Group's response to the pandemic and steering a course to recovery. The fair value of the rights issued is measured at each grant date using a Black Scholes option pricing model. The inputs include the Group's 5-day volume weighted average security price prior to the grant date, the risk free interest rate, expected volatility and expected dividend yield during the vesting period. Expected volatility is based on the historical security price volatility over the past 3 years. Other vesting conditions include the executive remaining employed with the Group for the retention period and satisfactory individual performance by the executive and contribution by the executive to the Group's annual business plans. In calculating the Black Scholes' value of rights granted it has been assumed that the performance hurdle conditions are met. The terms of the Performance rights – Retention awards are described in section 7.9 of the Directors' Report.

*Accounting for equity settled share based payments*

During the year, $0.5 million (31 December 2019: $19.1 million) was charged to the income statement as gross amortisation in respect of equity settled share based payments and the corresponding entry is recorded against the employee share plan benefits reserve.

# Note 32 Leases

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(a) Right-of-use asset** | | |
| Balance at the beginning of the year | **82.4** | – |
| Additions [i] | **12.6** | 89.2 |
| Amortisation | **(13.7)** | (6.8) |
| Balance at the end of the year | **81.3** | 82.4 |

Ground lease assets are included in investment properties as disclosed in Note 4.

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(b) Lease liabilities** | | |
| Current | **12.0** | 9.7 |
| Non current | **119.5** | 120.1 |
| | **131.5** | 129.8 |
| Lease liabilities comprise: | | |
| Right-of-use asset [i] | **86.5** | 84.4 |
| Ground leases | **45.0** | 45.4 |
| Total lease liabilities | **131.5** | 129.8 |
| Total lease payments during the year comprise: | | |
| Principal payments | **10.8** | 5.0 |
| Financing costs | **6.4** | 4.5 |
| | **17.2** | 9.5 |

[i] In June 2019, the Group sold its interest in the Sydney Office Towers. Consequently, lease agreements for the right to use certain office spaces in the Sydney Office Towers were recognised as a lease liability and right-of-use asset.

The lease agreements include the option to renew four times, each for a period of five years after January 2027. The option to extend has not been included in the measurement of lease liabilities as at 31 December 2020 and 2019.

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| The maturity profile of lease liabilities including future interest payments is set out below: | | |
| Due within one year | **18.1** | 15.7 |
| Due between one year and five years | **78.2** | 67.5 |
| Due after five years | **134.0** | 149.8 |
| | **230.3** | 233.0 |

## Accounting Policies

**Leases (lessee accounting)**

At the lease commencement date, a right-of-use asset and a corresponding lease liability is recognised.

The liabilities arising from the lease are initially measured on a present value basis. Lease liabilities include the net present value of future lease payments, less any lease incentives receivable. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost.

Right-of-use assets are measured at cost comprising:

– the amount of the initial measurement of the lease liability;

– any lease payments made at or before the commencement date, less any lease incentives received;

– any initial direct costs incurred; and

– any restoration costs.

Right-of-use assets with respect to the lease of office spaces are amortised on a straight-line basis over the lease term or asset's useful life whichever is shorter.

## Note 33 Lease commitments

### Operating lease receivables

Substantially all of the property owned and leased by the Group is leased to third party retailers. Lease terms vary between retailers and some leases include percentage rental payments based on sales revenue.

The following is prepared on a proportionate basis which includes both consolidated and equity accounted lease commitments.

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| Future minimum rental revenues under non cancellable operating property leases: | | |
| Due within one year | **1,574.8** | 1,618.7 |
| Due between one and two years | **1,316.5** | 1,349.0 |
| Due between two and three years | **1,058.7** | 1,110.9 |
| Due between three and four years | **825.0** | 878.7 |
| Due between four and five years | **612.3** | 640.5 |
| Due after five years | **2,219.8** | 2,235.7 |
| | **7,607.1** | 7,833.5 |

These amounts do not include percentage rentals which may become receivable under certain leases on the basis of retailer sales in excess of stipulated minimums and do not include recovery of outgoings.

These amounts include undiscounted future lease payments to be received under non cancellable operating leases calculated based on contracted lease terms as at the end of the year, and have not been adjusted for any further impact that the ongoing COVID-19 pandemic may have on existing lease arrangements.

## Note 34 Capital expenditure commitments

The following is prepared on a proportionate basis which includes both consolidated and equity accounted capital expenditure commitments.

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| Estimated capital expenditure committed at balance date but not provided for in relation to development projects: | | |
| Due within one year | **96.3** | 85.4 |
| Due between one and five years | **452.7** | 14.9 |
| | **549.0** | 100.3 |

## Note 35 Contingent liabilities

The following is prepared on a proportionate basis which includes both consolidated and equity accounted contingent liabilities.

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| Performance guarantees | **79.5** | 80.2 |
| | **79.5** | 80.2 |

Entities of Scentre Group have provided guarantees in respect of certain Westfield Corporation Limited joint venture operations in the United Kingdom. Under the Restructure and Merger Implementation Deed, the entities of Scentre Group and Westfield Corporation have cross indemnified each other for any claims that may be made or payment that may be required under such guarantees. On 7 June 2018, Unibail-Rodamco-Westfield acquired the entities of Westfield Corporation, including Westfield Corporation Limited.

The Group's obligation in respect of performance guarantees may be called on at any time dependent upon the performance or non performance of certain third parties.

From time to time, in the normal course of business, the Group is involved in lawsuits. The Directors believe that the ultimate outcome of such pending litigation will not materially affect the results of operations or the financial position of the Group.

# Note 36 Parent company

The Parent Company financial information is presented in accordance with the amendments to the Corporations Regulations 2001 and the Corporations Amendment Regulations 2010 (No. 6). Summary data of the Parent Company is disclosed as follows:

| | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **(a) Assets** | | |
| Current assets | **961.0** | 967.7 |
| Non current assets | **4,287.0** | 4,679.1 |
| **Total assets** | **5,248.0** | 5,646.8 |
| **(b) Liabilities** | | |
| Current liabilities | **1,530.2** | 1,643.0 |
| Non current liabilities | **55.0** | 55.0 |
| **Total liabilities** | **1,585.2** | 1,698.0 |
| **(c) Equity** | | |
| Contributed equity | **353.4** | 360.2 |
| Employee share plan benefits reserve | **3.0** | 3.0 |
| Asset revaluation reserve | **3,059.8** | 3,451.9 |
| Reserves [i] | **297.6** | 184.7 |
| Accumulated losses | **(51.0)** | (51.0) |
| **Total equity** | **3,662.8** | 3,948.8 |
| **(d) Comprehensive income/(loss)** | | |
| Profit after tax for the period | **112.9** | 184.5 |
| Other comprehensive loss | **(392.1)** | (135.7) |
| **Total comprehensive income/(loss) for the period** | **(279.2)** | 48.8 |
| **(e) Contingent liabilities** | | |
| Guaranteed borrowings of controlled entities [ii] | **15,956.7** | 13,912.9 |
| **Total contingent liabilities** | **15,956.7** | 13,912.9 |

[i] The Directors of the Parent Company approved the transfer of $112.9 million of the Parent Company's profit for the 2020 financial year to reserves. In 2019, the Directors of the Parent Company approved the transfer of $184.5 million of the Parent Company's profit for the 2019 financial year to reserves.

[ii] The Parent Company has entered into guarantee arrangements with SGT1, SGT2, SGT3 and a number of associated finance subsidiaries on a joint and several basis covering the Group's banking facilities and debt issuances. Under the arrangements, the Parent Company is guaranteed by, and is guarantor to SGT1, SGT2, SGT3 and the finance subsidiaries.

## Note 37 Subsidiaries

Financial information of SGT1 and SGT2 are provided below as they have material non controlling interests:

### Scentre Group Trust 1

As at 31 December 2020, SGT1 held current assets of $0.2 billion, non current assets of $17.0 billion, current liabilities of $3.1 billion and non current liabilities of $6.9 billion (31 December 2019: current assets of $0.3 billion, non current assets of $19.1 billion, current liabilities of $2.8 billion and non current liabilities of $7.2 billion).

As at 31 December 2020, the total equity held by SGT1 was $7.2 billion (31 December 2019: $9.4 billion).

The loss after tax for the period was $1,787.9 million and total comprehensive loss was $1,793.9 million (31 December 2019: profit after tax for the period was $519.1 million and total comprehensive income was $520.5 million). The revenue for the period was $532.2 million (31 December 2019: $600.6 million).

### Scentre Group Trust 2

As at 31 December 2020, SGT2 held current assets of $3.7 billion, non current assets of $17.0 billion, current liabilities of $0.8 billion and non current liabilities of $9.1 billion (31 December 2019: current assets of $0.2 billion, non current assets of $19.1 billion, current liabilities of $1.0 billion and non current liabilities of $4.9 billion).

As at 31 December 2020, the total equity held by SGT2 was $11.0 billion (31 December 2019: $13.4 billion).

The loss after tax for the period was $2,072.1 million and total comprehensive loss was $2,078.1 million (31 December 2019: profit after tax for the period was $498.1 million and total comprehensive income was $499.5 million). The revenue for the period was $570.4 million (31 December 2019: $596.6 million).

## Note 38 Deed of cross guarantee

On 18 December 2019, Scentre Group Limited and each of the wholly-owned subsidiaries set out below (together the "Closed Group") are party to a deed of cross guarantee (Deed), as defined in ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (ASIC Instrument). The effect of the Deed is that each entity in the Closed Group guarantees the payment in full of all debts of the other entities in the Closed Group in the event of their winding up. Pursuant to the ASIC Instrument, the wholly-owned subsidiaries within the Closed Group are relieved from the requirement to prepare and lodge audited financial reports.

The following entities are party to the Deed and part of the Closed Group: Scentre Group Limited, Scentre Limited, Scentre Shopping Centre Management Pty Ltd, Scentre Shopping Centre Management (VIC) Pty Ltd, Scentre Capital Assets Pty Limited, Samel Pty Limited, Scentre No 1 Pty Limited and Scentre Alliances Pty Limited.

A consolidated Statement of Comprehensive Income and Accumulated Losses and consolidated Balance Sheet for the Closed Group are as follows:

| **Statement of Comprehensive Income and Accumulated Losses** | **31 Dec 20 $million** | 31 Dec 19 $million |
|---|---|---|
| Revenue | **462.6** | 323.2 |
| Expenses excluding financing costs | **(344.3)** | (165.8) |
| Financing costs | **(8.8)** | (11.9) |
| **Profit before tax** | **109.5** | 145.5 |
| Income tax expense | **(23.7)** | (21.6) |
| **Profit after tax** | **85.8** | 123.9 |
| Other comprehensive loss | **(368.0)** | (79.3) |
| **Total comprehensive income/(loss)** | **(282.2)** | 44.6 |
| Accumulated losses at the beginning of the year | **(52.2)** | (61.0) |
| Profit after tax | **85.8** | 123.9 |
| Transfers to reserves | **(85.8)** | (115.1) |
| **Accumulated losses at the end of the year** | **(52.2)** | (52.2) |

## Note 38 Deed of cross guarantee (continued)

| Balance Sheet | 31 Dec 20 $million | 31 Dec 19 $million |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | **52.9** | 53.1 |
| Trade debtors | **14.4** | 23.6 |
| Receivables | **971.4** | 1,004.9 |
| Other current assets | **58.6** | 71.8 |
| **Total current assets** | **1,097.3** | 1,153.4 |
| **Non current assets** | | |
| Investment in controlled entities | **4,109.1** | 4,477.1 |
| Right-of-use asset | **81.3** | 82.4 |
| Plant and equipment | **65.0** | 62.0 |
| Other non current assets | **12.6** | 14.2 |
| **Total non current assets** | **4,268.0** | 4,635.7 |
| **Total assets** | **5,365.3** | 5,789.1 |
| **Current liabilities** | | |
| Trade creditors | **36.8** | 26.7 |
| Payables and other creditors | **1,297.4** | 1,363.5 |
| Interest bearing liabilities | **201.1** | 280.0 |
| Lease liabilities | **11.4** | 9.1 |
| Tax payable | **14.3** | 9.3 |
| **Total current liabilities** | **1,561.0** | 1,688.6 |
| **Non current liabilities** | | |
| Payables and other creditors | **17.7** | 23.4 |
| Lease liabilities | **75.1** | 75.3 |
| Deferred tax liabilities | **51.1** | 51.3 |
| **Total non current liabilities** | **143.9** | 150.0 |
| **Total liabilities** | **1,704.9** | 1,838.6 |
| **Net assets** | **3,660.4** | 3,950.5 |
| **Equity** | | |
| Contributed equity | **353.4** | 360.2 |
| Reserves | **3,359.2** | 3,642.5 |
| Accumulated losses | **(52.2)** | (52.2) |
| **Total equity** | **3,660.4** | 3,950.5 |

## Note 39 Auditor's remuneration

| | 31 Dec 20 $000 | 31 Dec 19 $000 |
|---|---|---|
| Amounts received or due and receivable by the auditor of the Parent Company and any other entity in the Group for: | | |
| – Auditing the statutory financial report of the Parent Company covering the Group (i) | **2,465** | 2,755 |
| – Auditing the statutory financial reports of any controlled entities | **97** | 95 |
| – Fees for assurance services that are required by legislation to be provided by the auditor (ii) | **497** | 153 |
| – Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements (iii) | **1,052** | 1,072 |
| – Fees for other services | **–** | – |
| | **4,111** | 4,075 |
| Amounts received or due and receivable by affiliates of the auditor of the Parent Company for: | | |
| – Auditing the statutory financial report of the Parent Company covering the Group | **47** | 55 |
| – Auditing the statutory financial reports of any controlled entities | **190** | 169 |
| – Fees for assurance services that are required by legislation to be provided by the auditor | **–** | – |
| – Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements (iii) | **33** | 41 |
| – Fees for other services | **–** | – |
| | **270** | 265 |
| | **4,381** | 4,340 |

(i) Includes stapled trusts, SGT1, SGT2 and SGT3.

(ii) Includes Australian Financial Services Licence, Compliance Plan and Comfort Letters issued in respect of corporate note issuances.

(iii) Includes assurance services such as real estate trust audits, outgoings audits, promotional fund audits and other assurance engagements.

## Note 40 Superannuation commitments

The Group sponsors accumulation style superannuation funds to provide retirement benefits to its employees. There are no unfunded liabilities in respect of these superannuation funds and plans. The Group does not sponsor defined benefits style superannuation funds and plans.

## Note 41 Related party disclosures

Information required to be disclosed concerning relationships, transactions and balances with related parties of the Group is set out in this Note unless disclosed elsewhere in this financial report.

### Nature of relationship with related parties

**Key Management Personnel of the entity**

Refer to Note 42 and the Remuneration Report in the Directors' Report for details of Key Management Personnel (KMP).

**Other Related Parties**

LFG Services Pty Limited and The Lowy Institute for International Policy (LFG), their related entities and other entities controlled by members of the Lowy family were considered to be related parties of the Group. This was due to LFG being under the control or significant influence of Mr Steven Lowy, who was a non-executive Director of the Group. Mr Lowy retired from the Board on 4 April 2019, and all disclosures relate to 1 January 2019 to 4 April 2019.

### Transactions with related parties and their terms and conditions

**Transactions with KMP of the entity**

Refer to Note 42 and the Remuneration Report in the Directors' Report for remuneration of KMP.

**Transactions with Other Related Parties**

During the period Mr Lowy was a KMP (from 1 January to 4 April 2019), the Group had an agreement with LFG to provide office space and other services and charged LFG $683,410 which were on commercial arm's length terms.

There were no amounts payable to or receivable from LFG as at 31 December 2019.

No credit loss has been recognised with respect to amounts payable or receivable from LFG for the year ended 31 December 2019.

There were no transactions with any other related parties for the year ended 31 December 2020.

The Group has established protocols governing transactions with related parties which are monitored and reviewed by the Audit and Risk Committee.

## Note 42 Details and remuneration of KMP

KMP are those individuals having the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. The non-executive Directors, CEO, CFO and other senior executives are considered KMP.

### (a) Key Management Personnel

As at 31 December 2020, the Board comprised the following directors:

| | |
|---|---|
| Brian Schwartz | Non-executive Chairman |
| Peter Allen | Managing Director and CEO |
| Andrew Harmos | Non-executive Director |
| Michael Ihlein | Non-executive Director |
| Carolyn Kay | Non-executive Director |
| Steven Leigh | Non-executive Director |
| Guy Russo | Non-executive Director |
| Margaret Seale | Non-executive Director |
| Michael Wilkins | Non-executive Director |

Aliza Knox retired from the Board on 8 April 2020. Michael Wilkins was appointed as a non-executive Director on 8 April 2020 and Guy Russo on 1 September 2020.

During the year, Elliott Rusanow, CFO, was also a KMP.

### (b) Remuneration of KMP

The amounts below represent the total remuneration amounts for KMP. A detailed discussion on KMP remuneration is in the Directors' Report rather than the financial report so as to avoid duplication of information. As such, refer to the Remuneration Report (which has been audited) in the Directors' Report for further details concerning disclosure of KMP remuneration.

The aggregate remuneration for the twelve months was:

| | Short term benefits | | | | Post Employment | Termination Benefits | Share Based | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **Key Management Personnel** | Fixed remuneration[i] $ | Cash STAR $ | Non-monetary benefits $ | Other short term employee benefits[ii] $ | Other post employment benefits $ | Termination benefits $ | Amortisation of cash and equity settled share based payments[iii] $ | $ |
| **Directors** | | | | | | | | |
| **31 December 2020** | **4,160,177** | **1,155,000** | **–** | **(1,154)** | **–** | **–** | **(1,248,793)** | **4,065,230** |
| 31 December 2019 | 4,268,250 | 1,642,200 | – | 25,769 | – | – | 3,489,812 | 9,426,031 |
| **Non directors** | | | | | | | | |
| **31 December 2020** | **1,045,000** | **577,500** | **–** | **56,116** | **–** | **–** | **26,743** | **1,705,359** |
| 31 December 2019 | 3,100,415 | 2,471,314 | – | 43,771 | – | 1,000,548 | 4,780,180 | 11,396,228 |
| **Total** | | | | | | | | |
| **31 December 2020** | **5,205,177** | **1,732,500** | **–** | **54,962** | **–** | **–** | **(1,222,050)** | **5,770,589** |
| 31 December 2019 | 7,368,665 | 4,113,514 | – | 69,540 | – | 1,000,548 | 8,269,992 | 20,822,259 |

(i) Fixed remuneration is inclusive of statutory superannuation benefits.

(ii) Comprising annual leave and long service leave entitlements.

(iii) Refer to the Remuneration Report in the Directors' Report for further details regarding the operation of share based payments.

## Note 42 Details and remuneration of KMP (continued)

### (c) Performance rights held by KMP

Rights held by executive KMP under the Group's equity-linked incentive plans are disclosed in the Remuneration Report.

### (d) Other transactions and balances with KMP

During the financial year, transactions occurred between the Group and KMP which were within normal employee/non-executive Director relationships being the performance of contracts of employment/services, including the reimbursement of expenses, and the payment of dividends/distributions by the Group in respect of stapled securities held in the Group.

## Note 43 Details of material and significant entities

| | **31 Dec 20 – Interest** | | | 31 Dec 19 – Interest | | |
|---|---|---|---|---|---|---|
| | **Beneficial[(i)]** | | **Consolidated** | Beneficial[(i)] | | Consolidated |
| **Name of entity** | **Parent Company %** | **Scentre Group %** | **or Equity accounted %** | Parent Company % | Scentre Group % | or Equity accounted % |
| **ENTITIES INCORPORATED IN AUSTRALIA** | | | | | | |
| **Parent Company** | | | | | | |
| Scentre Group Limited | **100.0** | **100.0** | **100.0** | 100.0 | 100.0 | 100.0 |
| **Consolidated Controlled Entities** | | | | | | |
| Scentre Group Trust 1 | **–** | **100.0** | **100.0** | – | 100.0 | 100.0 |
| Scentre Group Trust 2 | **–** | **100.0** | **100.0** | – | 100.0 | 100.0 |
| Scentre Group Trust 3 | **–** | **100.0** | **100.0** | – | 100.0 | 100.0 |
| Scentre Finance (Aust) Limited | **100.0** | **100.0** | **100.0** | 100.0 | 100.0 | 100.0 |
| Scentre Limited | **100.0** | **100.0** | **100.0** | 100.0 | 100.0 | 100.0 |
| **ENTITIES INCORPORATED IN NEW ZEALAND** | | | | | | |
| **Consolidated Controlled Entities** | | | | | | |
| RE (NZ) Finance Limited | **–** | **100.0** | **100.0** | – | 100.0 | 100.0 |
| Scentre NZ Holdings Limited | **–** | **100.0** | **100.0** | – | 100.0 | 100.0 |
| SCG1 Finance (NZ) Limited | **–** | **100.0** | **100.0** | – | 100.0 | 100.0 |

(i) Beneficial interest in underlying controlled and equity accounted entities reflects the Parent Company being Scentre Group Limited and its subsidiaries (excluding SGT1, SGT2 and SGT3) and Scentre Group's ownership interest as determined under International Financial Reporting Standards (IFRS).

# Directors' Declaration

## For the year ended 31 December 2020

The Directors of Scentre Group Limited (Company) declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including:

- (i) complying with accounting standards and regulations in accordance with section 296 of the Corporations Act 2001;
- (ii) giving a true and fair view of the financial position as at 31 December 2020 and the performance of the consolidated entity for the year ended on that date in accordance with section 297 of the Corporations Act 2001;
- (iii) the International Financial Reporting Standards issued by the International Accounting Standards Board;

(c) they have been provided with the declarations required by section 295A of the Corporations Act 2001; and

(d) in the Directors' opinion, there are reasonable grounds to believe that the Company and the subsidiaries identified in Note 38 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee referred to in Note 38.

Made on 24 February 2021 in accordance with a resolution of the Board of Directors.

**Brian Schwartz AM**
Chairman

**Michael Ihlein**
Director

24 February 2021

# Investor Relations

Scentre Group is listed on the Australian Securities Exchange (ASX) under the code "SCG".

Please visit our website at *www.scentregroup.com/investors* for a variety of investor information.

**Scentre Group securities**

A Scentre Group stapled security comprises:

– 1 Scentre Group Limited share

– 1 Scentre Group Trust 1 unit

– 1 Scentre Group Trust 2 unit

– 1 Scentre Group Trust 3 unit

and trade together as one security.

**Scentre Group Website**

– About Scentre Group

– News & Insights

– Our Portfolio

– Investor Information

**Electronic Information**

By becoming an electronic investor and registering your email address, you can receive via email, news, notifications and announcements, dividend/distribution statements, taxation statements and annual reports.

**Secure Access to Your Securityholding Online**

You can go to *www.scentregroup.com/investors* to access your securityholding information by clicking on 'My SCG Securities' as well as extensive information on the Group including the latest press releases, results announcements, presentations and more.

To view your securityholding, you will need your Holder Number (SRN/HIN) and will be asked to verify your registered postcode (inside Australia) or your country of residence (outside Australia).

**Phone** – you can confirm your holding balance, request forms and access distribution and trading information by phoning:

1300 730 458 or call +61 3 9946 4471 (outside Australia) then, pressing 1. You will be asked to enter your Holder Number (SRN/HIN).

**Scentre Group Distribution Details**

Your interim distribution will be paid at the end of August and your final distribution paid at the end of February. Details of the 2020 year distributions are provided in the table to the right. To ensure timely receipt of your distribution, please consider the following:

**Direct Credit**

You can receive your distribution payment efficiently and safely by having it direct credited to your bank account. If you wish to register for direct credit, please complete the form and return it to the registry. This form can be downloaded from *https://www.scentregroup.com/investors/security-holder-forms* or by phoning our Registry on 1300 730 458 (Please have your Holder Number (SRN/HIN) available to quote). Alternatively, you can update your details directly online at *www.scentregroup.com/investors* and by clicking on "My SCG Securities".

| | **Ordinary Securities (cents per security)** |
|---|---|
| * Dividends/distributions for the year ended 31 December 2020 | 7.00 |
| **Dividend/distribution for the six months ended 30 June 2020** | **Nil** |
| **Dividend/distribution for the six months ended 31 December 2020 to be paid on 26 February 2021** | **7.00** |
| Dividend in respect of a Scentre Group Limited share | Nil |
| Distribution in respect of a Scentre Group Trust 1 unit | 4.43 |
| Distribution in respect of a Scentre Group Trust 2 unit | 2.57 |
| Distribution in respect of a Scentre Group Trust 3 unit | Nil |

Note: The Group does not operate a distribution reinvestment plan.

**Tax File Number (TFN)**

You are not required by law to provide your Tax File Number (TFN), Australian Business Number (ABN) or Exemption.

However, if you do not provide your TFN, ABN or Exemption, withholding tax at the highest marginal rate, currently 47% for Australian resident members, may be deducted from distributions paid to you. If you have not supplied this information and wish to do so, please advise our Registry or your sponsoring broker.

Alternatively, you can update your details directly online at *www.scentregroup.com/investors* and by clicking on "My SCG Securities".

**Annual Tax Statement and 2020 Tax Guide**

The Annual Tax Statement and Tax Guide are dispatched to securityholders in March.

### Unpresented Cheques & Unclaimed Funds

Scentre Group is required to remit to the NSW Office of State Revenue amounts greater than $100 held in an account that has been inactive for at least 6 years. If you believe you have unpresented cheques please contact the Registry which will be able to check the records and assist you in recovering any funds. Record checks can be made for the prior 7 years. For any enquiries beyond 7 years, you will need to contact the NSW Office of State Revenue (*www.revenue.nsw.gov.au*) to check for unclaimed money.

### Australian Capital Gains Tax Considerations

A Scentre Group stapled security comprises four separate assets for capital gains tax purposes. For capital gains tax purposes you need to apportion the cost of each stapled security and the proceeds on sale of each stapled security over the separate assets that make up the stapled security. This apportionment should be done on a reasonable basis. One possible method of apportionment is on the basis of the relative Net Tangible Assets (NTAs) of the individual entities.

These are set out by entity in the table below.

| Relative Net tangible Assets (NTA) of entities in Scentre Group | 30 Jun 20 | 31 Dec 20 |
|---|---|---|
| Scentre Group Limited | 4.74% | 5.09% |
| Scentre Group Trust 1 | 36.64% | 36.82% |
| Scentre Group Trust 2 | 58.53% | 58.00% |
| Scentre Group Trust 3 | 0.09% | 0.09% |

### Contact Details

All changes of name, address, tax file number, payment instructions and document requests should be directed to the Registry or alternatively, you can update your details directly online at *www.scentregroup.com/investors* and by clicking on “My SCG Securities”.

### Principal Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
GPO Box 2975
Melbourne VIC 3001
Telephone: +61 3 9946 4471
Toll Free: 1300 730 458 (Australia Only)
Facsimile: +61 3 9473 2500
Contact: www.investorcentre.com/contact
Website: www.computershare.com

All other queries should be directed to Scentre Group Investor Relations:

Level 30, 85 Castlereagh Street
Sydney NSW 2000, Australia

GPO Box 4004
Sydney NSW 2001
Telephone +61 2 9358 7877
Email: investor@scentregroup.com
Website: www.scentregroup.com/investors

### Investor Feedback

If you have any complaints or feedback, please direct these in writing to Scentre Group Investor Relations at GPO Box 4004, Sydney NSW 2001.

### Scentre Group Calendar

February

- 24 Feb 2021: Full-year results released
- 26 Feb 2021: Payment Distribution for 6 months ending December

March

- Annual Financial Reports for Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 released
- Annual Tax Statements released

April

- 8 Apr 2021: Scentre Group Limited: Annual General Meeting

May

- 1st Quarter Update

August

- Half-year results released
- Payment of Distribution for the 6 months ending June

November

- 3rd Quarter Update

# Members' Information

## As at 2 February 2021

| Twenty Largest Holders of Stapled Securities in Scentre Group* | | Number of Securities |
|---|---|---|
| 1 | HSBC Custody Nominees (Australia) Limited | 1,792,113,146 |
| 2 | J P Morgan Nominees Australia Pty Limited | 1,131,187,289 |
| 3 | BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C> | 623,459,374 |
| 4 | Citicorp Nominees Pty Limited | 605,404,672 |
| 5 | National Nominees Limited | 233,787,568 |
| 6 | BNP Paribas Noms Pty Ltd <DRP> | 95,871,876 |
| 7 | Citicorp Nominees Pty Limited <Colonial First State Inv A/C> | 61,334,501 |
| 8 | HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C> | 28,876,183 |
| 9 | HSBC Custody Nominees (Australia) Limited-GSCO ECA | 10,011,460 |
| 10 | Merrill Lynch (Australia) Nominees Pty Limited | 9,070,911 |
| 11 | AMP Life Limited | 8,441,014 |
| 12 | Argo Investments Limited | 7,526,662 |
| 13 | The Trust Company (Australia) Limited <A/C 4> | 7,156,000 |
| 14 | CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C> | 6,260,136 |
| 15 | BNP Paribas Noms (NZ) Ltd <DRP> | 6,085,272 |
| 16 | HSBC Custody Nominees (Australia) Limited | 5,987,017 |
| 17 | BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C> | 5,908,972 |
| 18 | Milton Corporation Limited | 5,589,474 |
| 19 | Amondi Pty Ltd <W E O P T A/C> | 5,388,133 |
| 20 | Netwealth Investments Limited <Wrap Services A/C> | 5,312,978 |
| | | **4,654,772,638** |

* Ordinary shares in Scentre Group Limited are stapled to units in Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3.

## Voting rights

Scentre Group Limited – At a meeting of members, on a show of hands, every person present who is a member or representative of a member has one vote, and on a poll every member present in person or by proxy or attorney and every person who is a representative of a member has one vote for each share they hold or represent.

Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 – At a meeting of members, on a show of hands, every person present who is a member or representative of a member has one vote, and on a poll every member present in person or by proxy or attorney and every person who is a representative of a member has one vote for each dollar value of the total interest they have in the respective trusts.

## Distribution schedule

(as at 2 February 2021)

| Category | Number of stapled securities* | Number of securityholders | % of securities in each category |
|---|---|---|---|
| 1 – 1,000 | 14,908,948 | 33,751 | 0.29 |
| 1,001 – 5,000 | 95,498,970 | 38,069 | 1.84 |
| 5,001 – 10,000 | 76,452,873 | 10,580 | 1.47 |
| 10,001 – 100,000 | 189,860,669 | 8,354 | 3.66 |
| 100,001 and over | 4,813,656,879 | 412 | 92.74 |
| **Total** | **5,190,378,339** | **91,166** | **100.00** |

8,066 securityholders hold less than a marketable parcel (being 182 securities at the closing price of $2.76) of quoted securities in Scentre Group.

* There are 13,599,235 performance rights on issue under the Group's performance rights plan to 93 participants. These rights may be satisfied by either the transfer of Scentre Group securities to employees or settled by way of cash payout which amount is calculated by reference to the market price of Scentre Group securities at the time of vesting. Under the stapling arrangement, in the case of the issue of securities, each of the Company, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 is required to issue securities on the vesting of a performance right.

** During FY20, Scentre Group securities held by Scentre Executive Option Plan Trust were transferred to executives to satisfy entitlements on the vesting of rights under the Group's equity-linked plans.

## Buy-back

On 25 August 2020, the Group released its final share buy-back notice announcing it had bought back and cancelled 126,618,867 securities (2.38%) from $800 million security buy-back program announced on 27 June 2019.

## Substantial securityholders

The names of Scentre Group substantial securityholders and the number of ordinary stapled securities in which each has a relevant interest, as disclosed in the substantial shareholding notices given to the Group, are as follows:

| | |
|---|---|
| The Vanguard Group | 585,400,810 |
| UniSuper Limited as trustee for UniSuper and UniSuper Management Pty Limited | 507,458,956 |
| BlackRock Group | 496,793,754 |
| State Street | 344,111,816 |

# Directory

## Scentre Group
Scentre Group Limited
ABN 66 001 671 496

## Scentre Group Trust 1
ARSN 090 849 746
(responsible entity Scentre Management Limited
ABN 41 001 670 579,
AFS Licence No 230329)

## Scentre Group Trust 2
ARSN 146 934 536
(responsible entity RE1 Limited
ABN 80 145 743 862,
AFS Licence No 380202)

## Scentre Group Trust 3
ARSN 146 934 652
(responsible entity RE2 Limited
ABN 41 145 744 065,
AFS Licence No 380203)

## Registered Office
Level 30
85 Castlereagh Street
Sydney NSW 2000

## New Zealand Office
Level 5, Office Tower
277 Broadway
Newmarket, Auckland 1023

## Secretaries
Maureen T McGrath
Paul F Giugni

## Auditor
Ernst & Young
200 George Street
Sydney NSW 2000

## Investor Information
Scentre Group
Level 30
85 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 9358 7877
Facsimile: +61 2 9358 7881
E-mail: investor@scentregroup.com
Website: www.scentregroup.com/investors

## Principal Share Registry
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
GPO Box 2975
Melbourne VIC 3001
Telephone: +61 3 9946 4471
Toll Free: 1300 730 458 (Australia Only)
Facsimile: +61 3 9473 2500
Contact: www.investorcentre.com/contact
Website: www.computershare.com

## Listing
Australian Securities Exchange – SCG

## Website
www.scentregroup.com

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SCENTRE GROUP

**Scentre Group** Annual Financial Report **2020**