Annual Report 2021

Helping people reach their destination

VIVA Energy Australia

Our purpose

Helping people reach their destination

Who we are

Viva Energy is a leading energy company with 120 years of operations in Australia. We make, import, blend and deliver fuels, lubricants, solvents and bitumen through our extensive national and international supply chains. We are the exclusive supplier of Shell fuels and lubricants in Australia and in 2021, we supplied approximately a quarter of Australia's liquid fuel requirements to a national network of retail sites and directly to our commercial customers. We also operate a nationwide fuel supply chain, including the strategically located Geelong Refinery, an extensive import, storage and distribution infrastructure network, including a presence at over 50 airports and airfields.

Our values

Integrity
The right thing always

Responsibility
Safety, environment, our communities

Curiosity
Be open, learn, shape our future

Commitment
Accountable and results focused

Respect
Inclusiveness, diversity, people


Shell
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coles express


VIVA
Energy Australia

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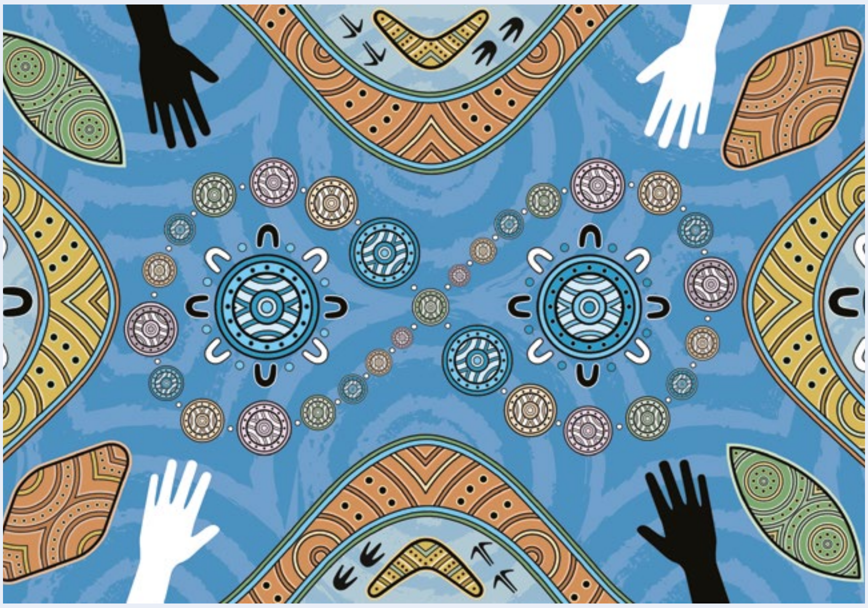


Acknowledgement

Viva Energy acknowledges and pays respect to the past, present and future Traditional Custodians and Elders of this nation and the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples. We particularly pay respects to the Traditional Custodians of the land, across the nation where we conduct business.

We also acknowledge our gratitude that we share this land today, our sorrow for the costs of that sharing and our hope and belief that we can move to a place of equity, justice and partnership together.

Title: Wa-ngal yalinguth, yalingbu, yirramboi
Created by: Dixon Patten, Yorta Yorta and Gunnai, Bayila Creative.

About this Annual Report

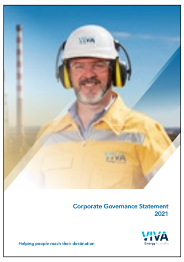
This Annual Report contains information on the operations, activities and performance of the 'Viva Energy Group' for the year ended 31 December 2021 and its financial position as at 31 December 2021. The Viva Energy Group comprises Viva Energy Group Limited (ACN 626 661 032) (the 'Company') and its controlled entities.

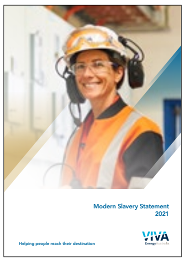
In this Annual Report, references to 'we', 'us', 'our', and 'Group' are references to the Viva Energy Group.

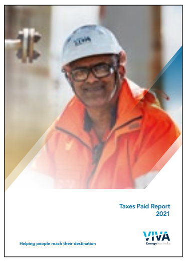
Printed copies of this Annual Report will be posted to those shareholders who have requested to receive a printed copy. Otherwise, the Annual Report 2021 is available on our website at www.vivaenergy.com.au

Corporate Governance Statement

You can find our *Corporate Governance Statement 2021* on our website at www.vivaenergy.com.au







See the rest of our 2021 annual reporting suite at www.vivaenergy.com.au

- Annual Report 2021
- Corporate Governance Statement 2021
- Modern Slavery Statement 2021
- Taxes Paid Report 2021
- Sustainability Data Supplement 2021

About us

Our operations

We source crude oil (domestic and international) for domestic refining, and refined products from international refineries.

Domestic and imported crude oil → Sourcing ← Imported refined products

Domestic refineries

We refine crude oil into usable products – including petrol, diesel, jet fuel and specialty products.

We transport refined product to bulk storage fuel terminals by pipe or ship.

Pipelines

Shipping

1. Procurement/Supply

2. Domestic Refining

3. Primary Distribution

Net Zero by 2030*

Net Zero by 2050*

* Net zero commitment applies to Scope 1 and 2 emissions for activities under our operational control which excludes primary and secondary distribution by shipping.

We are pursuing operational optimisation, energy efficiency projects, Ultra-Low Sulphur Gasoline upgrade, and developing circular economy and bio-feedstocks to deliver a 10% reduction in emission intensity for our refinery by 2030.

Our year at a glance

People and community

1,447

Employees as at 31 December 2021

44%

of senior leaders are women (2020: 41%)

Winner of AFR BOSS

Best Places to Work

in the Agriculture, Mining and Utilities industry

96%

of inaugural RAP deliverables completed

Safety and environment[1]

Net Zero

Commitment for Scope 1 and 2 GHG emissions for our non-refining operations, by 2030

6.7

Total Recordable Injury Frequency Rate (per million hours worked) (2020: 3.61)

Process Safety Events

1

API Tier 1 Events (2020: 1)

3

API Tier 2 Events (2020: 2)

Over 94%

of our employees had two COVID-19 vaccinations as at 31 December 2021

1. Excludes performance of Liberty Oil Holdings.

Terminals are typically located near major metropolitan, industrial and mining centres (closer to end customers).

Terminal storage

Pipelines

Shipping

Trucking

We transport product from terminal to retail sites and commercial end customers.

Wholesale distributors → Commercial customers

We sell bulk fuel products directly to commercial customers.

Retail sites → Retail customers

Fuels are sold to retail customers through a network of over 1,340 service station sites.

4. Storage | 5. Secondary Distribution | 6. Fuels Marketing

We are pursuing renewable purchasing and generation, energy efficiency projects and carbon offset projects to achieve net zero by 2030 for our non-refining operations.

We aim to achieve net zero by 2050 for the overall Viva Energy Group through bio fuels processing, waste to energy reprocessing, energy import/export, renewable and low emissions energy inputs and carbon offset projects.

Financial performance

$484.2M

Group Underlying EBITDA (RC)
Up 98% on 2020

$191.6M

Underlying NPAT (RC)
Up 474% on 2020

7.3¢

2021 dividend per share, fully franked

$118M

Returned via capital management program[2]

Strategic priorities

Worked with Federal Government to finalise the
Fuel Security Package

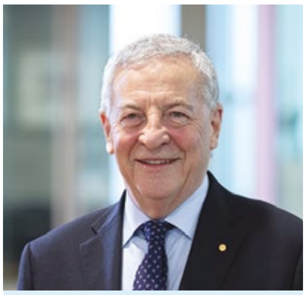
Completed FEED
and progressed to regulator approval phase for
Gas Terminal Project

Received Federal Government grant for
90ML Diesel Storage
to support minimum stockholding obligations

2. Capital management program of ~$118M includes capital return ~$100M and share buy-back ~$18M.

Chairman and Chief Executive Officer's report

Viva Energy continued to play a leading role in working with government to develop a framework which protects our local refining industry from global downturns, and in turn provides certainty to commit and undertake long-term investment in this critical sector.



Robert Hill
Chairman

Scott Wyatt
Chief Executive Officer

Dear Shareholders

The COVID-19 global pandemic continued to impact our operations and customers throughout 2021, and feature heavily in the broader economic environment and outlook. Management continued to care for employees, encouraging vaccinations and enacting workplace processes to minimise infection and protect our people through various waves of infections and lockdowns.

Despite the continued challenge from the pandemic and associated restrictions, we kept our business operating reliably to serve our customers and the broader community and delivered financial results which were a significant improvement on the last two years.

On the strategic front, Viva Energy continued to play a leading role in working with government to develop a framework which protects our local refining industry from global circumstances beyond our control, and in turn provides certainty to commit and undertake long-term investment in this critical sector. The Fuel Security Package, which was finalised during 2021, and the range of measures that it incorporates, will see the Company continue refining through to 2028, and undertake a range of investments to improve fuel quality, increase the country's fuel reserves, and improve productivity and performance. In times of global uncertainty, and disrupted supply chains, this is good for both Viva Energy and the country.

The long-term arrangements with the Federal Government have transformed the outlook for the refining business and provided the foundation to progress our broader vision for the Energy Hub at Geelong. In this regard, we made significant progress on the Geelong Gas Terminal Project – entered into an expanded partner group with substantial international experience in LNG regasification terminals, completed Front End Engineering Design, signed a Head of Agreement to charter a Floating Storage and Regasification Unit and, in early 2022, released for public exhibition the Environment Effects Statement.

We also announced emission reduction commitments, which we shared with investors in November 2021. These commitments are an important part of our sustainability agenda and demonstrate our commitment to playing a critical role in Australia's transition to a low-carbon future, as well as ongoing energy security.

2021 Performance

Viva Energy recorded a Group underlying EBITDA (RC) of $484.2 million, which is up 98% on the prior year. Total Group sales volumes increased by 7% in 2021, with strong earnings underpinned by a 39% improvement in Commercial EBITDA (RC), and strong Refining performance. Our Retail, Fuels and Marketing business grew by about 3% to deliver an EBITDA (RC) of $404.8 million, despite the impact on retail of the temporary mobility restrictions in 2021. Refining EBITDA (RC) was $103.4 million after a large loss in 2020, reflecting both the introduction of fuel security payments and a strong recovery in regional refining margins in the fourth quarter of 2021.

Our safety performance in 2021 was disappointing, with Total Recordable Injury Frequency Rate and high potential process safety incidents elevated compared to the prior year. As a result there has been a renewed focus on our safety management processes and learnings from these incidents have formed the foundation for our broader safety programs in 2022. Further information on this is contained in our Sustainability Report.

Viva Energy maintained a strong balance sheet and finished the year with a low net debt of $95.2 million. Our strong financial position has enabled us to complete a further $100 million capital return and an $18 million on-market buy-back during 2021. The Company returned to positive distributable NPAT in 2021, paid an interim dividend of $65.9 million for the first half of 2021 and determined final dividend of $49.6 million.

Board and leadership changes

In August 2021, Nicola Wakefield Evans was appointed to the Board as an Independent Non-Executive Director. Nicola's considerable experience in governance, diversity leadership and experience with companies involved in the transition to a lower carbon future are a valuable contribution to the Board. This appointment followed the retirement of Jane McAloon as an Independent Non-Executive Director in August 2021. We thank Jane for the significant contribution she has made as a director and Chair of the Sustainability Committee during her time with the Company.

There were several changes to the executive responsibilities in 2021. Jevan Bouzo was appointed to an expanded role of Chief Operating and Financial Officer, assuming responsibility for supply chain operations in addition to his Chief Financial Officer accountabilities. This follows the decision by Thys Heyns to retire from the Company in March 2021, as we announced in last year's annual report. Lachlan Pfeiffer was appointed to an expanded role of Chief Business Development and Sustainability Officer. In this role, he continues to be responsible for assurance functions which support good governance, and now combines this with leading the broader business development opportunities and the communication of our sustainability strategy and associated initiatives.

Sustainability

Everything we do is driven by our purpose to help people reach their destination. We aim to achieve this in a way that contributes to positive sustainability outcomes, and is aligned with our values: Integrity, Responsibility, Curiosity, Commitment and Respect. We are committed to balancing short-term needs and interests with those of future generations, and integrating economic, environmental and social considerations into business decision-making.

Our approach to the energy transition is to continue to support Australia's energy security while concurrently developing, integrating, and commercialising new lower-carbon energies so that we actively support and accelerate the transition.

In 2021, we signed an MOU with Waga Energy for renewable natural gas recovery from landfill, launched Carbon Neutral Jet Fuel, and announced the launch of Australia's most ambitious hydrogen mobility project with the development of a New Energies Service Station in Geelong (subject to regulatory approval). We also announced our ambition to reduce carbon emissions at our operations across the medium and long term. We are proud of these commitments to achieve net zero Scope 1 and 2 emissions for our non-refining business by 2030, 10% reduction in emissions intensity at the Refinery by 2030 and over the longer term an ambition to reach net zero Scope 1 and 2 across all operations by 2050. We are also targeting net zero Scope 1 and 2 emissions for the life of the Gas Terminal Project.

We present an update on our sustainability program as part of this Annual Report.

Looking forward

In 2022, we are expecting to benefit from continued recovery in Retail and Aviation fuel sales as travel resumes. Geo-political factors are likely to continue to drive some uncertainty and volatility, with tight oil supply impacting fuel prices in the short term. The Fuel Security Package provides considerable protection from these forces within our refining business. We expect to further develop the Geelong Energy Hub projects and are committed to maintaining a strong capital discipline, delivering attractive cash returns and supporting our investors.

We are excited about the foundations we have laid in 2021 and look forward to the opportunities ahead.

Robert Hill
Chairman

Scott Wyatt
Chief Executive Officer
and Managing Director

Board of Directors

Robert Hill

Independent Non-Executive Director and Chairman

LLB, BA, LLD(Hon), LLM, DPolSc(Hon)

Term of office

Appointed to the Board on 18 June 2018. Formerly an Independent Non-Executive Director of Viva Energy Holding Pty Limited (5 February 2015 to 17 July 2018).

Skills and experience

The Hon. Robert Hill is a former barrister and solicitor who specialised in corporate and taxation law and who now consults in the area of international political risk. He has had extensive experience serving on boards and as chairman of public and private institutions, particularly in the environment and defence sectors.

Robert Hill was previously Australia's Minister for Defence, Minister for the Environment and Leader of the Government in the Senate during his time as a Senator for South Australia. He served as Australia's Ambassador and Permanent Representative to the United Nations in New York. Robert is a former Chancellor of the University of Adelaide. In 2012, he was made a Companion of the Order of Australia for services to government and the parliament.

Robert is currently Chairman of Re Group Pty Limited and a former Chairman of the NSW Biodiversity Conservation Trust.

Board Committee memberships

- Chair of the Remuneration and Nomination Committee
- Member of the Sustainability Committee
- Member of the Strategy and Investment Committee

Scott Wyatt

Chief Executive Officer and Managing Director

BCA

Term of office

Appointed as CEO on 13 August 2014. Appointed to the Board on 7 June 2018.

Skills and experience

Scott Wyatt has more than 30 years' experience in the oil and gas sector and has held various leadership roles within Viva Energy's downstream oil and gas business (formerly Shell) including strategy, marketing (consumer and commercial) and supply and distribution.

After a long career with Shell in New Zealand, Australia and Singapore, Scott was appointed as CEO in August 2014.

Scott is a director of the Australian Institute of Petroleum and is a former Board member of Viva Energy REIT (now Waypoint REIT) (2016 to 2019).

Board Committee memberships

- Member of the Strategy and Investment Committee

Arnoud De Meyer

Independent Non-Executive Director

MSc.E, MSc.BA, PhD Management, Hon Phd

Term of office

Appointed to the Board on 18 June 2018.

Skills and experience

Arnoud De Meyer is a former President of Singapore Management University (SMU) and was previously a Professor in Management Studies at the University of Cambridge and Director of Judge Business School. Arnoud was also associated with INSEAD as a professor for 23 years, and was the founding Dean of INSEAD's Asia Campus in Singapore. Currently he is Professor Emeritus at SMU.

Arnoud currently serves on the boards of Banyan Tree Holdings, upGrad Tech Pte Ltd, Singapore Symphonia Company, INSEAD and the Ghent University Global Campus and he is the Chair of Temasek's Stewardship Asia Centre. He was previously an Independent Director of Dassault Systèmes (2005 to 2019) and served as an independent director for the Department for Business Enterprise and Regulatory Reform (UK) and the Singapore Economic Review Committee. Arnoud also served on the boards of Singapore International Chamber of Commerce and Temasek Management Services.

Board Committee memberships

- Chair of the Strategy and Investment Committee
- Member of the Remuneration and Nomination Committee

Sarah Ryan

Independent Non-Executive Director

PhD (Petroleum Geology and Geophysics), BSc (Geophysics) (Hons 1), BSc (Geology), FTSE

Term of office

Appointed to the Board on 18 June 2018.

Skills and experience

Sarah Ryan has over 30 years of international experience in the energy industry, ranging from technical, operational and leadership roles at a number of oil and gas and oilfield services companies, to a decade of experience as an equity analyst covering natural resources.

Sarah is a Fellow of the Australian Academy of Technological Sciences and Engineering (ATSE), a Fellow of the Australian Institute of Energy, a Member of the Australian Institute of Company Directors, a Member of Women Corporate Directors and a Member of Chief Executive Women. She serves as a Member of the ASIC Corporate Governance Consultative Panel, as Non-Executive Director of the Future Battery Industries Cooperative Research Centre, and is Deputy Chair of the ATSE Energy Forum.

Sarah is currently a Non-Executive Director of Woodside Petroleum Limited (since 2012), Aurizon Holdings Limited (since 2019), OZ Minerals Limited (since 2021) and MPC Kinetic Pty Ltd (since 2016). She is a former director of Akastor ASA (2014 to 2021), Central Petroleum Limited (2017 to 2018) and Aker Solutions ASA (2010 to 2014).

Board Committee memberships

- Chair of the Audit and Risk Committee
- Member of the Sustainability Committee
- Member of the Strategy and Investment Committee

Nicola Wakefield Evans

Independent Non-Executive Director

BJuris/LLB, FAICD

Term of office

Appointed to the Board on 3 August 2021.

Skills and experience

Nicola Wakefield Evans is a highly experienced director with broad ranging commercial, strategy and corporate finance legal experience gained over a 30-year international career, including 20 years as a partner of King & Wood Mallesons. During her time at King & Wood Mallesons, Nicola held a variety of senior management positions with responsibility for development and growth of the international practice and the Hong Kong, China and London offices of King & Wood Mallesons. Nicola's key areas of industry experience include resource and energy, infrastructure, financial services and technology.

Nicola is currently a Non-Executive Director of two ASX listed companies, Macquarie Group and Lendlease Corporation, and also serves on the board of MetLife Australia.

Nicola is also the Chair of 30% Club Australia, member of the Takeovers Panel, and member of the boards of the Clean Energy Finance Corporation, Australian Institute of Company Directors, the Goodes O'Loughlin Foundation and the University of New South Wales Foundation.

Nicola holds a Bachelor of Jurisprudence and a Bachelor of Laws from the University of New South Wales.

Board Committee memberships

- Chair of the Sustainability Committee
- Member of the Audit and Risk Committee
- Member of the Strategy and Investment Committee

Dat Duong

Non-Executive Director

BBA, CFA

Term of office

Appointed to the Board on 7 June 2018. Formerly a Non-Executive Director of Viva Energy Holding Pty Limited (1 January 2017 to 17 July 2018).

Skills and experience

Dat Duong is the Head of Investments for Vitol in Asia Pacific.

Dat joined Vitol in 2010, prior to which he was an Associate Partner at Leopard Capital, an investment fund focused on Asia's frontier and emerging markets.

Dat has extensive international investment banking experience, including with Merrill Lynch in the Global Energy and Power Investment Banking Group in both Hong Kong and Canada, where he led multiple landmark downstream oil transactions.

Dat commenced his career at Esso Imperial Oil in Canada as a business analyst. He is currently a director of VG Mobility (UK) Advisers Limited.

Board Committee memberships

- Member of the Audit and Risk Committee
- Member of the Remuneration and Nomination Committee
- Member of the Strategy and Investment Committee

Michael Muller

Non-Executive Director

BA (Econ.Geography)

Term of office

Appointed to the Board on 1 October 2020.

Skills and experience

Mike Muller joined Vitol in 2018 and is currently the Head of Vitol Asia Pte Ltd and a member of the Vitol Group Board of Directors.

Prior to Vitol, Mike was an executive with Shell in the UK, Australia and Singapore. A member of Shell's Global Trading Leadership since 1999, he coordinated global supply of chemical feedstocks and led various oil trading desks both physical and derivatives. In 2013, Mike was appointed Vice President, Global Crude Oil Trading and Supply. In this role he was a Director of Shell Trading International Ltd, Chairman of Shell Western Supply & Trading Ltd and of Shell Trading Russia BV, and a member of global Trading Risk, Credit and Compliance committees.

Mike is currently a Director of Boustead Petroleum Marketing Sdn. Bhd. (formerly BP Malaysia) and a Director of Arq Limited (UK).

Board Committee memberships

- Member of the Sustainability Committee
- Member of the Strategy and Investment Committee

Former Director

Jane McAloon

Former Independent Non-Executive Director

BEc(Hons), LLB, GDip CorpGov, FAICD

Term of office

Appointed to the Board on 18 June 2018, resigned with effect on 25 August 2021.

Skills and experience

Jane McAloon served as a Non-Executive Director on the Board, as Chair of the Sustainability Committee and a member of the Audit and Risk Committee and the Strategy and Investment Committee until her resignation, effective 25 August 2021.

Jane was an executive at BHP Billiton and AGL and had held positions in government in energy, rail and natural resources as well as being a Non-Executive Director of several listed and unlisted companies.

Executive Leadership Team

Scott Wyatt
Chief Executive Officer

Scott Wyatt has more than 30 years' experience in the oil and gas sector and has held various leadership roles within Viva Energy's downstream oil and gas business (formerly Shell) including strategy, marketing (consumer and commercial) and supply and distribution.

After a long career with Shell in New Zealand, Australia and Singapore, Scott was appointed as CEO in August 2014.

Scott holds a Bachelor of Commerce and Administration from Victoria University of Wellington.

Jevan Bouzo
Chief Operating and Financial Officer

Prior to joining Viva Energy, Jevan Bouzo worked at Ernst & Young in assurance and business services, where he led assurance and business improvement projects for clients in the energy and retail sectors as well as a number of ASX-listed companies. Since joining Viva Energy, Jevan has overseen corporate finance, business finance and credit, treasury and a number of strategic projects culminating in his appointment as Chief Financial Officer. In 2021, Jevan assumed the expanded role of Chief Operating and Financial Officer.

Jevan is a Chartered Accountant and holds a Bachelor of Commerce (majoring in Accounting and Finance) from Monash University.

Dale Cooper
Executive General Manager, Refining

Dale Cooper has over 35 years' experience in the oil and gas, refining and transportation industries. Dale spent over 20 years with Irving Oil in Canada where he has held refining and commercial roles, most recently as General Manager of the 320 kb/d Saint John Refinery. Prior to this, Dale held roles as General Manager, Mid-Continent Crude and leadership roles in Rail Logistics, Supply Chain Operations, Refinery Operations and Project Management. Prior to joining Irving Oil, Dale held operational and engineering roles with Saudi Aramco and Esso Petroleum Canada.

Dale holds a Bachelor of Science, Chemical Engineering from the University of New Brunswick and a Masters of Business Administration from the University of New Brunswick. He has attended executive education programs at Harvard Business School, Queen's University and Babson College.

Amanda Fleming
Chief People and Technology Officer

Amanda Fleming has over 20 years of experience across Retail, Fast Food and FMCG leading business-wide transformations, as well as Human Resources, Merchandise, Operations and Commercial functions.

Prior to Viva Energy, Amanda was the Chief Transformation Officer (CTO) and Managing Director, Commercial, for Super Retail Group, the owners of Super Cheap Auto, Rebel, Boating, Camping, Fishing (BCF) and MacPac. Previously Amanda has held executive roles including Director of Human Resources for Coles Group in the Wesfarmers organisation, Chief Operations Officer and Chief People Officer for Pizza Hut USA, and Human Resources Director for Mars in Australia (where she also served as European Organisational Development Manager for Mars in the UK and Europe).

Amanda holds a Masters of Organisational Change from Hult International Business School and a Bachelor of Business from Deakin University.

Executive changes

There were changes in our Executive Leadership Team during the year. Jevan Bouzo was appointed to an expanded role of Chief Operating and Financial Officer, assuming responsibility for supply chain operations in addition to his Chief Financial Officer accountabilities. This brought together finance and operations to help drive stronger financial and commercial focus across our business segments. Jevan succeeded Thys Heyns in the Chief Operating Officer role. Thys left the Company on 31 March 2021, having made the decision to retire after six years of service to the Company.

Lachlan Pfeiffer was appointed to an expanded role of Chief Business Development and Sustainability Officer. In this role he continues to be responsible for assurance functions which support good governance, and now combines this with leading the broader business development opportunities, and the communication of our sustainability strategy and associated initiatives.

Megan Foster

Executive General Manager, Retail

Megan Foster has over 30 years' experience in retail across Petrol and Convenience, FMCG, Grocery, Specialty, Food, and general Retail. Megan brings to her role extensive senior executive experience across Marketing and Brand, Digital, Sales, Property and Development, Operations, Merchandise and M&A.

Prior to joining Viva Energy, she led the Retail division for QIC, responsible for the retail product strategy across Australia and their 22 Australian assets. Previously she has held Senior Executive Management positions with Myer and Sass and Bide after an earlier career with Woolworths and Unilever, and running a highly successful retail consultancy.

Megan holds a Bachelor of Commerce from University of Western Sydney.

Lachlan Pfeiffer

Chief Business Development and Sustainability Officer

Lachlan Pfeiffer joined the business in 2014, and has held roles with the Group including as General Counsel and Executive General Manager, Legal and External Affairs. From 2018 to 2020, he also served as a Non-Executive Director of Viva Energy REIT (now Waypoint REIT). Prior to joining Viva Energy, Lachlan worked in mergers and acquisitions for Skadden, Arps, Slate, Meagher and Flom (UK) LLP, based in London for seven years. Lachlan started his career in Melbourne working for Norton Rose Fulbright (Australia).

Lachlan is a legal practitioner and holds a Bachelor of Commerce from Melbourne University and a Bachelor of Laws (with Hons) from Monash University. He is also a member of the Australian Institute of Company Directors.

Denis Urtizberea

Executive General Manager, Commercial

Denis Urtizberea joined Viva Energy Australia late 2015, bringing 25 years of experience in the oil and gas industry. He developed a passion for customer centricity through a number of diverse sales and marketing leadership positions, primarily in the business to business arena.

Starting his career in a small subsidiary of Total, moving then to BP/Castrol Group before joining Puma Energy and finally Vivo Energy and Viva Energy Australia, Denis has had the opportunity to build a strong international culture through negotiating deals in more than 100 countries across the globe.

Denis holds a qualification in engineering (Physics and Chemistry).

Operating and financial review

Company overview

Viva Energy is one of Australia's leading energy companies. In 2021, Viva Energy supplied over 13 billion litres of petroleum products (approximately one-quarter of Australia's liquid fuel requirements) through a national network of retail service stations and directly to commercial customers. The Group owns and operates an oil refinery in Victoria together with an extensive import, storage and distribution infrastructure network, including a presence at over 50 airports and airfields across the country. Crude oil and refined products are procured and imported by Vitol, one of the world's largest independent energy commodity trading companies.

Retail, Fuels and Marketing – Retail

Viva Energy supplies and markets quality fuel products through a national network of over 1,340 Shell, Liberty and Westside branded retail service stations with over 700 of the sites being operated by Coles Express under the Coles Alliance. Viva Energy also supplies other retail operators and wholesalers.

Retail, Fuels and Marketing – Commercial

Viva Energy is a significant supplier of fuel, lubricants and specialty hydrocarbon products to commercial customers in the aviation, marine, transport, resources, construction, agriculture and manufacturing industries. Viva Energy's strong position across many segments is underpinned by national infrastructure and long-standing customer relationships. As of this reporting period, wholesale sales (previously in Retail), are now reported in Commercial.

Viva Energy supplies and markets quality fuel products through a national network of over 1,340 Shell, Liberty and Westside branded retail service stations with over 700 of the sites being operated by Coles Express under the Coles Alliance.

Refining

Viva Energy owns and operates the country's largest and most complex refinery in Australia, located at Geelong in Victoria. Refineries play an important role in processing Australian and imported crude oil into petroleum products which meet Australian specifications and help to enhance fuel supply security for the country. Geelong Refinery supplies more than 10% of Australia's total fuel requirements (approximately 50% of Victoria's fuel demand) and is the only manufacturer of bitumen, aviation gasoline (Avgas) for use in piston engine aircraft, and aromatic and aliphatic based solvent products.

Supply and Distribution

Viva Energy owns or contracts access to a national infrastructure network comprising import terminals, storage tanks, depots and pipelines positioned across metropolitan and regional Australia in all states. The Group operates barges which provide marine fuels to cruise and container shipping industries in Sydney and Melbourne, and also contracts with a number of fuel transport companies to distribute fuels to customers throughout the country. Through its wholly-owned subsidiary, Liberty Wholesale, Viva Energy also operates its own fuel delivery fleet of over 80 vehicles.

Operating and financial review continued

Our strategy

We have been operating in Australia for 120 years and throughout that time we have established significant infrastructure positions, deep relationships with our customers, strategic partnerships with leading companies in their field, and a reputation for operating safely, reliably, and with integrity.

Our purpose is to 'help people reach their destination' and through our extensive retail network, commercial business, national terminal and pipeline infrastructure position and strategically located refinery in Geelong, Victoria, Viva Energy supplies approximately a quarter of Australia's liquid fuel requirements.

In a large and diverse country, Australians rely on affordable energy to move around, transport products to every corner of the country and beyond our shores, and produce the goods and services that drive the economy. Petrol, diesel, jet and fuel oils remain an important part of every Australian's daily life. We are, however, at the beginning of a long-term energy transition that is necessary to reduce emissions and we have an important role to play in providing the energy that people need today as well as the energies of the future, and our strategies will focus on both. Beyond energies, we are also focused on growing our exposure to non-fuel earnings into other areas where we have proven success and see new growth opportunities.

At our November 2021 investor day, we talked about our strategy to evolve our businesses and this will be reflected in the strategies we pursue and decisions that we take:

- Over time we aspire to transition to a fully integrated Fuel and Convenience Retailer. We consider that full exposure to the convenience market will become increasingly important as mobility and convenience needs expand.
- Our commercial business already supplies a range of energy and non-energy products and services to a diverse range of commercial and industrial sectors. We intend to support our customers to reduce emissions and progress their own energy transition, as well as continuing to meet their current energy needs.
- We believe that the refining industry plays a vital role in Australia's economy, and have worked closely with the Australian Federal Government to implement a long-term Fuel Security Package which provides important support to the refining sector. With the future of the refining business now more certain and less volatile, we have a much stronger foundation to progress the further development of our site at Geelong into an Energy Hub to support the Company's longer-term aspirations to expand into other forms of energy such as natural gas, hydrogen and renewable electricity. Beyond the refinery, we have significant and strategic pipeline, terminal and logistics infrastructure positions around the country where we will explore opportunities to leverage and maximise the value that underpins these infrastructure positions.

Some of the early foundation steps we have taken in this evolution are shown below.

	Today	Pathway	Future	Progress to date
Retail	Retail Network and Branded Fuels Supplier	Leverage network strength and acquire convenience capability	Fuel and convenience retailer	• Renegotiated Alliance agreement to fully control fuel offer • Established and grown Liberty Convenience business to provide additional retail and convenience growth pathway • Secured future rights to take full control of Alliance and Liberty Convenience businesses • Coles Express store and forecourt refreshment program • Improved network efficiency across all platforms
Commercial	Commercial Fuels, Lubricants and Specialties Supplier	Leverage B2B capability and customer relationships	Commercial and industrial services and solutions	• Contracts to operate Rio Tinto, Woodside and HMAS Cairns fuel facilities • Established Carbon Solutions business. Launched Carbon Neutral Jet Fuel and supplied first carbon neutral flight. Further expansion to other sectors • Working with customers to deploy Hydrogen fuelled Electric Vehicles in heavy transport segment • Partnered with Waga Energy for potential biomethane offtake as part of lower-carbon product suite
Energy Hub	Oil Refinery and Importer	Leverage strategic infrastructure and internal energy capability	Energy and infrastructure	• Secured contract with Government to operate Geelong Refinery until at least mid 2028, and construct strategic diesel fuel storage • Refining margin volatility risk reduced through FSSP, with opportunity for upside outperformance • Progress on Gas Terminal Project at Geelong (FID by Q3 2022) with other projects in progress to create an Energy Hub at Geelong

Looking to the future, we intend to maintain a strong focus on outperformance in our traditional business while at the same time leveraging our diversity to create value in new growth areas:

- **Outperform in our core businesses:** we see continued growth in our traditional markets, with opportunities to outperform through: maintaining operating and capital efficiency; optimising sales and margin opportunities; building brand and customer preference; and profitably growing market share.
- **Leverage diversity to develop new energy and non-energy growth pathways:** convenience offer development; Geelong Energy Hub Projects; integration of new energies; commercial and carbon solutions.
- **Acquire capability to accelerate proven opportunities:** invest and acquire capability where this can accelerate or extend our growth opportunities. We have a strong balance sheet with capacity for reinvestment, and will look to deploy this in areas which support future growth.

2021 Business performance summary

The Group delivered an exceptional performance across all parts of the business during 2021 and the management team is particularly proud of the way we continued to care for our people and successfully minimised the impacts from the pandemic on our operations to maintain safe and reliable supply to our customers through some challenging periods.

Emerging economic recovery and sustained market share growth across key segments lifted group sales by 7%, with strong earnings underpinned through our Commercial and Industrial segments outperformance. Whilst Retail earnings were impacted from rising oil prices and lower retail fuel margins, the Refining business benefited from strengthening refining margins during the final quarter on the back of strong global demand for energy. Underlying Group EBITDA (RC) and Underlying Free Cash Flow (RC) is up $239.6M and $174.0M respectively during the year. The Company maintained a disciplined approach to capital management and retains a strong balance sheet that supports future growth opportunities, which was set out in the Investor Day that was held in November 2021.

2021 Business performance summary continued

Our strategy is to develop and maximise the value of our three discrete and unique businesses to establish new energy and non-energy pathways. Increasing our exposure to convenience as partnerships conclude will be key for our Retail business, while our Commercial business will continue to supply a range of energy and non-energy products and services to a diverse range of industries. With the future of our Geelong Refinery now secure, we have plans to further develop the site into a broader Energy Hub. We expect to deliver more than $50M of new earnings over the next three to five years from our various businesses.

We are also proud of the commitments we have made in 2021 to progressively reduce emissions and achieve net zero across the Group by 2050. These commitments together with already announced new energy initiatives are our early steps towards creating a decarbonised future.

The diversity of our earnings has helped to insulate the Company from the impacts of higher levels of oil price volatility and segment specific impacts from lockdowns and border closures. Together with the Fuel Security Package, which provides protection for the Refining business during periods of low regional refining margins, the Company is well positioned to deliver further consistent returns and benefit from a further recovery in our markets during 2022.

Viva Energy consolidated results for the full year ended 31 December 2021

The Group Net Profit After Tax on a historical cost basis (HC) for 2021 was $232.9 million (M). After adjusting for revaluation gains, net inventory gain and the AASB 16 Lease impact, Net Profit After Tax on a replacement cost basis for the period was $191.6M. A reconciliation from Statutory Profit After Tax (HC) to Net Profit After Tax (RC) is summarised in the table below.

Reconciliation of Statutory Profit After Tax to Net Profit After Tax (RC)	(A$M)
Statutory Profit After Tax	232.9
Less: Net inventory gain net of tax at 30%	(88.6)
Less: Revaluation gain on FX and oil derivatives net of tax at 30%	(11.3)
Add: AASB 16 Lease impact net of tax at 30%	58.6
Net Profit After Tax (RC)	191.6

Historical cost is calculated in accordance with IFRS and shows the cost of goods sold at the actual prices paid by the business using a First In, First Out (FIFO) accounting methodology. As such, HC accounting includes gains and losses resulting from timing differences between purchases and sales of inventory and the rise and fall of oil and product prices during that time. Gains and losses arising from the rise and fall of oil and product prices are typically offset by a change in working capital because of the higher or lower cost to replenish inventory. Replacement cost is a non-IFRS measure under which the cost of goods sold is calculated on the basis of theoretical new purchases of inventory instead of the historical cost of inventory. As a result, it removes the effect of timing differences to enable users of the financial information to more consistently assess the underlying performance of the business.

The diversity of our earnings has helped to insulate the Company from the impacts of higher levels of oil price volatility and segment specific impacts from lockdowns and border closures.

To further assist with the assessment of the underlying performance of the business, replacement cost measures include lease expense and exclude lease interest and right-of-use amortisation. These amounts are captured in the 'AASB 16 Lease impact' line item in the above reconciliation table. Financial measures based on replacement costs and inclusive of lease expense are identified by the use of the suffix 'RC'.

Reporting changes implemented in 2021

Since the last reporting period the Group has undertaken a review of its underlying financial reporting across the different business segments. The review considered the evolution of our strategy, the way in which the business is run practically and how to improve transparency of underlying performance. The reporting changes implemented following this review will also assist in the comparison of our result with our key competitor. Whilst the number of segments remains the same, the historical Supply, Corporate and Overheads (S,C&O) segment is replaced with a Corporate segment. These changes are reflected in the Summary Statement of Profit or Loss in the Directors' Report, with the key changes detailed below:

1. **Adjustment to lease accounting** – Lease expenses previously excluded from EBITDA (RC) in accordance with AASB 16 *Leases* have now been included in the Underlying results of each relevant business. The impact of adopting AASB 16 (including lease interest and lease related amortisation) will be reported between NPAT (RC) and NPAT (HC).
2. **Segment reclassification** – Wholesale volumes, which includes Liberty Wholesale, have been moved from Retail into Commercial as the margin and product mix of wholesale fuel volumes is more aligned with the Commercial segment. The Retail segment exclusively represents sales from our branded retail network.
3. **Supply, Corporate and Overhead costs** – All applicable S,C&O costs have been allocated into operating segments with the residual 'Corporate' segment reflecting certain head office functions and commonly used resources that are not considered appropriate to be allocated to the Group's reportable segments.
4. **FX and derivatives** – Revaluation gain / (loss) on FX and oil derivatives will be reported between NPAT (RC) and NPAT (HC). Underlying NPAT (RC) now aligns with previous Distributable NPAT (RC).

Summary Statement of Profit and Loss

(A$M)	31 December 2021 Group	RFM[1]	Refining	31 December 2020[2] Group	RFM[1]	Refining	Variance
Revenue	**15,900.0**	**15,900.0**	**-**	12,409.9	12,409.9	-	3,490.1
Cost of goods sold (RC)	**(14,274.0)**	**(14,559.3)**	**285.3**	(11,082.9)	(11,136.7)	53.8	(3,191.1)
Gross Profit (RC)	**1,626.0**	**1,340.7**	**285.3**	1,327.0	1,273.2	53.8	299.0
Retail, Fuels & Marketing							
Retail	**747.6**	**747.6**	**-**	760.8	760.8	-	(13.2)
Commercial	**593.1**	**593.1**	**-**	512.4	512.4	-	80.7
Refining	**285.3**	**-**	**285.3**	53.8	-	53.8	231.5
Corporate	**-**	**-**	**-**	-	-	-	-
1. Total EBITDA (RC)	**484.2**	**392.8**	**91.4**	244.6	382.2	(137.6)	239.6
Retail, Fuels & Marketing							
Retail	**187.5**	**187.5**	**-**	235.4	235.4	-	(47.9)
Commercial	**217.3**	**217.3**	**-**	156.4	156.4	-	60.9
Refining	**103.4**	**-**	**103.4**	(127.9)	-	(127.9)	231.3
Corporate	**(24.0)**	**(12.0)**	**(12.0)**	(19.3)	(9.6)	(9.7)	(4.7)
2. Share of profit from associates	**0.6**	**0.6**	**-**	10.6	10.6	-	(10.0)
Net loss on other disposal of assets	**(0.4)**	**(0.4)**	**-**	(1.9)	(1.9)	-	1.5
3. Depreciation and amortisation	**(176.1)**	**(112.8)**	**(63.3)**	(175.5)	(100.8)	(74.7)	(0.6)
Profit before interest and tax (RC)	**308.3**	**280.2**	**28.1**	77.8	290.1	(212.3)	230.5
4. Net finance costs	**(23.9)**	**(21.2)**	**(2.7)**	(22.5)	(21.1)	(1.4)	(1.4)
Profit before tax (RC)	**284.4**	**259.0**	**25.4**	55.3	269.0	(213.7)	229.1
5. Income tax (expense)/benefit (RC)	**(92.8)**	**(85.2)**	**(7.6)**	(21.9)	(86.0)	64.1	(70.9)
6. Net Profit/(Loss) After Tax (RC)	**191.6**	**173.8**	**17.8**	33.4	183.0	(149.6)	158.2
7. Significant one-off items[3]	**-**	**-**	**-**	179.3	179.3	-	(179.3)
8. Net inventory gain/(loss)[3]	**88.6**	**79.6**	**9.0**	(179.6)	(139.2)	(40.4)	268.2
9. Revaluation gain on FX and oil derivatives[3]	**11.3**	**5.7**	**5.6**	1.7	0.9	0.8	9.6
10. AASB 16 Lease impact[3]	**(58.6)**	**(58.6)**	**-**	(71.0)	(71.0)	-	12.4
Net Profit/(loss) After Tax (HC)	**232.9**	**200.5**	**32.4**	(36.2)	153.0	(189.2)	269.1
Statutory earnings per share (HC)	**14.6**			(1.9)			16.5
Underlying earnings per share (RC)	**12.0**			1.8			10.2

1. Retail, Fuels and Marketing (RFM).
2. Prior year comparatives reflect the recently implemented reporting changes.
3. Results are reported net of tax.

Operating and financial review continued

2021 Business performance summary continued

The table below provides a reconciliation by segment profit/(loss) before tax (RC) per the above summary statement of profit or loss, to profit/(loss) before tax (HC) in note 3 Segment information within the financial statements.

(A$M)	31 December 2021 RFM	Refining	Corporate	Total segments	31 December 2020 RFM	Refining	Corporate	Total segments
Profit/(loss) before tax (RC) as above	259.0	25.4	-	284.4	268.9	(213.7)	-	55.2
Adjusted for:								
Lease expense	296.2	0.1	3.9	300.2	270.9	0.1	3.8	274.8
Allocations	12.0	12.0	(24.0)	-	9.6	9.6	(19.2)	-
Interest income	(1.1)	(0.8)	1.9	-	(2.2)	(2.2)	4.4	-
Right-of-use amortisation	(215.8)	-	(2.8)	(218.6)	(210.6)	-	(2.7)	(213.3)
Lease interest expense	(162.6)	-	(2.7)	(165.3)	(160.3)	-	(2.7)	(163.0)
Revaluation gain on FX and oil derivatives	8.1	8.0	-	16.1	1.3	1.2	-	2.5
Net inventory gain/(loss)	113.7	12.9	-	126.6	(198.9)	(57.7)	-	(256.6)
Significant items	-	-	-	-	-	-	113.9	113.9
Profit/(loss) before tax (HC) as per segment note	309.5	57.6	(23.7)	343.4	(21.3)	(262.7)	97.5	(186.5)

Summary statement of profit and loss analysis

1. EBITDA (RC)

Retail

Retail achieved strong sales volumes and market share gains, with growth achieved in the predominately regionally focused Liberty Convenience and Dealer Owned channels. Continued investment in the Alliance network with our partner, Coles, has maintained strong brand share and customer preference through this core convenience channel. In-store experience has been improved through the refreshment of 137 Coles Express stores over the last two years, and a further 130 stores will see investment during 2022.

The Alliance channel was affected by lockdowns in Victoria and New South Wales during Q3 2021, with weekly fuel sales averaging 55.6 million litres per week through 2021, a slight improvement on the 54.9 million litres per week achieved during 2020. As restrictions were eased during Q4 2021 sales volumes recovered to their highest levels in over 12 months, reaching 65ML across consecutive weeks during December. Diesel sales were particularly strong, reaching the highest level of sales in five years.

Premium petrol penetration improved during the year, increasing from 30% to 31%, while premium diesel penetration increased from 0.8% to 2.2%. The Company continues to invest in our premium brands and has taken steps to increase availability of premium fuel across all our Shell branded networks.

Retail profitability was lower due to rising oil price impacts on retail fuel margins. Margins are expected to recover as oil price stabilises and price increases flow through to the retail price boards. Higher fuel prices may impact demand and margin in the short term.

Commercial

The Commercial business achieved strong earnings uplift across most segments during 2021, with total underlying EBITDA (RC) of $217.3M improving by $60.9M over 2020. Actions taken during 2020 to reduce costs and strategically rebase businesses that were heavily impacted by the pandemic (particularly Aviation and Marine) underpin much of this earnings improvement, but the Company has also benefited from strong sales growth within our specialty businesses. Our exposure to a diverse range of segments provides multiple pathways for growth and this is a unique strength of our Commercial business.

The Commercial business is expected to benefit from continued economic recovery and further sales growth is expected following a recovery of Aviation and Marine cruise sectors. This will likely result in higher supply chain costs as servicing capacity are re-installed ahead of this increase in demand.

Refining

Geelong Refinery achieved crude intake of 41.2MBBLs with operational availability at 94.2% during 2021. Geelong Refining Margin (GRM) increased from US$3.1/BBL in 2020 to US$7.1/BBL as a result due to increased production, lower crude premia, improved product yields, and strengthening refining margins, particularly during the final quarter of the year. Final Underlying EBITDA (RC) was $103.4M compared with a loss of ($127.9M) in the prior year.

During the year the Refinery received income of $53.0M under the Federal Government's Temporary Refining Production Payment (TRPP) ($40.6M) and Federal Security Services Payment (FSSP) ($12.4M) programs, and $2.5M in JobKeeper support. No payments were received for Q4 2021 due to improved refining margin conditions and a return to profitability. Refining margins in 2022 are expected to be influenced by the recovery in global oil demand and reduction in refinery capacity because of recently announced or completed refinery closures and capacity reductions. Crude premia in 2022 to date have continued to increase following higher global oil demand.

The Company completed major maintenance work that was previously deferred from 2020, and has commenced planning for investment necessary to produce ultra-low sulphur petrol by the end of 2024. The Company has received a grant of $33.3M from the Federal Government to construct an additional 90ML of diesel storage to meet minimum stockholding obligations and support the government's fuel security program and expects to commence construction in the 1H 2022.

The Company continues to advance a range of projects at our Energy Hub at Geelong, including the Gas Terminal Project in Victoria, and other new energy projects including solar, and hydrogen re-fuelling offer aimed at heavy vehicles. These projects are expected to progress to Final Investment Decision (FID) during 2022.

Corporate

Corporate costs relate to certain head office functions and commonly used resources that are not considered appropriate to be allocated to the Group's reportable segments. The increase year on year is reflective of the activity in relation to Group-led new energy strategic work, increased incentives due to improved performance and increased activity as the business recommenced work deferred during 2020.

2. Share of profit from associates

Share of profit from associates represents the Group's 50% ownership of Liberty Oil Convenience's result for the year. The prior comparative period included eight months of the Group's share of Westside Petroleum's result (with August 2020 being the timing of the acquisition of the remaining share of Westside) and two months' share of profit from Waypoint REIT with the Group selling its security holding in this investment at the end of February 2020.

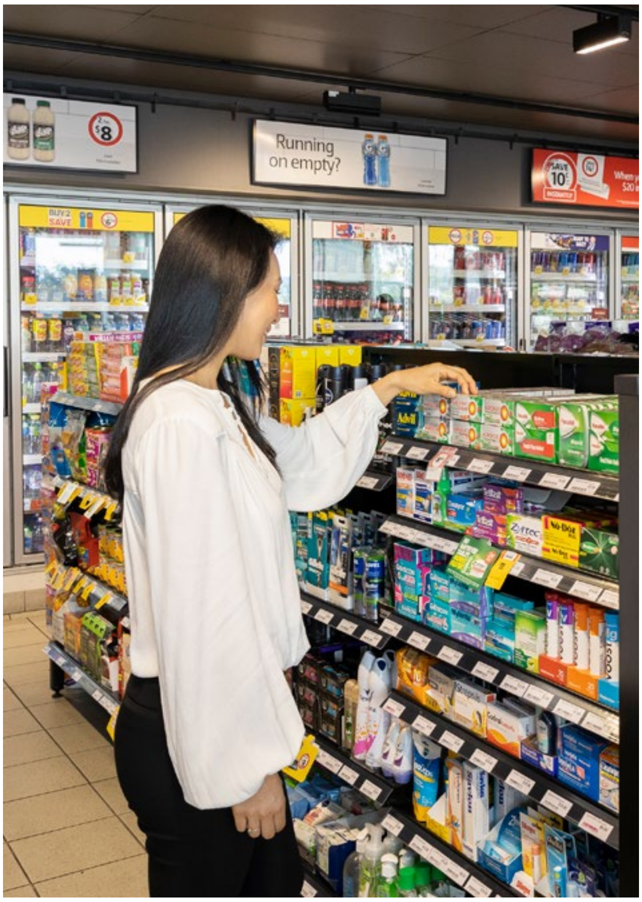
3. Depreciation and amortisation

Depreciation and amortisation includes $140.4M of depreciation on property, plant and equipment, $32.7M of amortisation expense on intangible assets and $3.0M on leases classified as finance leases prior to the introduction of AASB 16 *Leases*. Total depreciation and amortisation of $176.1M is broadly in line with the prior comparative period.

4. Net finance costs

Net finance costs of $23.9M were $1.4M higher than the prior comparative period and consisted of interest income of $1.9M, interest expense on borrowings, amortised transaction costs and fees associated with trade finance instruments of $12.2M, finance costs associated with leases classified as finance leases prior to the adoption of AASB 16 Lease of $8.0M and the unwinding of discount on balance sheet provisions of $5.6M.

The increase in net finance costs is due primarily to the Group holding the proceeds from the sale of the Waypoint REIT investment for most of 2020, prior to the Group's capital management plans being undertaken.



Operating and financial review continued

2021 Business performance summary continued

Summary Statement of Profit and Loss Analysis continued

5. Income tax expense

The Group is subject to income tax on the basis of historical cost earnings (NPAT HC) rather than replacement cost earnings (NPAT RC).

The income tax expense for the period is $92.8M (RC) and $110.5M (HC), representing effective tax rates of 32.6% and 32.2% respectively. The key driver of the effective tax rate exceeding the corporate tax rate is the non-deductibility of the amortisation of the $137.0M payment to Coles Express under the extended Alliance agreement in 2019.

6. Net Profit/(Loss) After Tax (RC)

The Net Profit After Tax (RC) of $191.6M represents a $158.2M increase year on year, driven primarily by improved refining conditions and assisted by the receipt of support under the government's TRPP and FSSP schemes. Retail, fuels and marketing also contributed to the improvement with strong Commercial results compensating for the impact of COVID-19 on retail volumes.

7. Significant one-off items (net of tax)

The prior year significant item relates to the sale of the Group's 35.5% security holding in Waypoint REIT for an average of $2.66 per security.

8. Net inventory gain/(loss)

Net inventory gain/(loss) relates to the effect of movements in oil price and foreign exchange on inventory recorded at historical cost using the First In, First Out (FIFO) principle of accounting. The gain of $88.6M (net of tax) reflects the increase in oil prices experienced during the year.

9. Revaluation gain on FX and oil derivatives

Revaluation gain/(loss) on FX and oil derivatives is impacted by realised and unrealised foreign exchange and associated hedges, flat oil price hedges and refinery margin hedging. During the year a gain of $11.3M (tax effected) was recognised as a result of the impact of an increase in the oil price in the first half of the year, offset by gains on FX hedges due to a decrease in the AUD/USD exchange rate in the second half of the year.

10. AASB 16 Lease impact

As detailed above (refer to 'Reporting changes implemented in 2021' section), the EBITDA (RC) results include segment applicable lease expense to provide a full view of segment profitability. The line item AASB 16 Lease impact reflects the elimination of lease expense and the recognition of lease interest and right-of-use amortisation, to then report the results under a historical cost and AASB 16 Lease basis.

Summary statement of financial position

(A$M)	31 December 2021	31 December 2020	Variance
1. Working capital	**177.5**	89.9	87.6
2. Property, plant and equipment	**1,518.8**	1,478.1	40.7
3. Right-of-use assets	**2,184.8**	2,321.5	(136.7)
4. Intangible assets	**621.5**	646.7	(25.2)
5. Investment in associates	**16.0**	15.4	0.6
6. Net cash / (debt)	**(95.2)**	(104.2)	9.0
7. Lease liability	**(2,480.5)**	(2,534.3)	53.8
8. Long-term provisions, other assets and liabilities	**(136.9)**	(181.8)	44.9
9. Net deferred tax asset	**305.9**	325.8	(19.9)
10. Total equity	**2,111.9**	**2,057.1**	**54.8**

Summary statement of financial position analysis

1. Working capital

Working capital increased by $87.6M primarily as a result of an increase in average benchmark crude and refined product prices of A$45.2/BBL between December 2020 and December 2021.

2. Property, plant and equipment (PP&E)

Property, plant and equipment relates to freehold terminal property, leasehold retail and terminal improvements, plant and infrastructure such as tanks and pipelines held at terminals, airports and retail sites and the Geelong Refinery land and equipment.

PP&E increased year-on-year due to a number of factors including the resumption of non-essential work deferred in the prior year due to the outbreak of COVID-19, undertaking additional tank replacements and tank reline work and the commencement of work on the Gas Terminal Project. Capital works were also undertaken during the year to enhance the Retail network, both in respect to site forecourts and the convenience stores.

The increase of $40.7M represents additions of $190.1M being capital expenditure of $185.1M, asset retirement obligation additions of $3.8M, land purchased for resale of $0.9M and business acquisitions of $0.3M. Also, leading to an increase in PP&E is the impact of a change in the discount rate used to value asset retirement obligations of $0.2M. Offsetting these increases were depreciation of $140.4M, disposals of $7.6M, and transfers including those of completed software projects to intangibles $1.6M. A breakdown of capital expenditure by segment is outlined below.

(A$M)	2021	2020	Variance
a. Retail, Fuels and Marketing	**81.6**	37.7	43.9
b. Refining			
Major Maintenance	**36.2**	92.3	(56.1)
Gas Terminal Project	**13.6**	2.4	11.2
New Energies	**0.6**	-	0.6
Other Refining	**53.1**	25.0	28.1
Capital expenditure	**185.1**	157.4	27.7

a. Retail, Fuels and Marketing

Retail, Fuels and Marketing capital expenditure of $81.6M includes capital expenditure of $41.6M ($18.6M in 2020) for new site branding, refreshing network convenience stores and forecourts together with tank replacements, tank relines and other asset integrity works. In addition, expenditure of $37.4M ($21.5M in 2020) relates to expenditure to ensure the integrity of the Group's terminals and pipelines as well as depot works and branding of dealer owned sites within the Liberty Wholesale network ($2.6M). The year-on-year increase is reflective of focus on non-essential spend in the prior year combined with a renewed focus on improving the customer retail experience.

b. Refining

Major maintenance

Major maintenance expenditure during the year of $36.2M relates primarily to activity on the Refinery's Hydrofluoric Acid Alkylation 'HFA' plant, which was deferred from 2020, and on the Bitumen Manufacturing Plant.

Gas Terminal Project

Expenditure of $13.6M was incurred during the period advancing the Gas Terminal Project towards a final investment decision. It is anticipated that the FID will be made by the third quarter of 2022.

Other refining capital expenditure

Other refinery capital expenditure of $53.1M relates to ongoing asset integrity and tank maintenance activity together with a range of projects including the replacement of equipment associated with the HFA major maintenance event and continued work on the refinery's control systems. Work also commenced on the low sulphur gasoline project and on the building of additional storage ahead of the Minimum Stockholding Obligations coming into effect from mid-2022.

3. Right-of-use assets

The right-of-use assets balance at year end was $2,184.8M, a decrease of $136.7M from the prior comparative period. Impacting this balance during the year were lease extensions, new leases and the impact of lease payment escalations totalling $84.9M (net of the impact of terminations). Depreciation charges of $221.6M were recognised during the year.

2021 Business performance summary continued

Summary statement of financial position analysis continued

4. Intangible assets

Intangible assets decreased by $25.2M during the year primarily due to amortisation charges of $32.7M offset in part by the recognition of Goodwill ($5.3M) in relation to small business acquisitions during the year. Also contributing to the year-on-year movement is the capitalisation of software projects ($2.2M).

5. Investment in associates

This balance relates to the Group's 50% ownership of Liberty Convenience.

6. Net debt

Net debt relates to Viva Energy's Revolving Credit Facility (RCF), which is used as a working capital facility to fund fluctuations in working capital, net of cash at bank. Viva Energy does not hold any long-term structural debt. Net debt decreased by $9.0M during the year.

7. Lease liability

The lease liability balance at year-end was $2,480.5M, a decrease of $53.8M from the prior comparative period, with lease extensions, new leases and lease escalations of $83.9M more than offset by payments of lease principal totalling $137.7M made during the year.

8. Long-term provisions, other assets and liabilities

The decrease in the net liability of $44.9M during the year primarily represents a decrease in net derivative liabilities ($17.6M), an increase in net defined superannuation benefit asset ($6.6M), the recognition of the Group's purchase of securities in Hyzon and Waga Energy ($9.2M) and the unwinding of the discounting on the long-term payable ($2.5M). Other long-term receivables increased by $6.1M due to a reclassification from short-term, while other long-term provisions decreased by $7.9M during the year, primarily due to a change in discount rate assumptions.

9. Net deferred tax asset

The net deferred tax asset relates to the tax effected difference between the carrying value of assets and liabilities recorded for accounting purposes, and those recorded for tax purposes.

The movement in this balance during the year relates predominantly to the use of tax losses generated during the 2020 year to offset 2021 tax payable, combined with other typical movements in deferred tax due to origination or reversal of temporary differences between taxable income and profit during the year, along with movements posted directly to equity or other comprehensive income.

10. Total equity

Total equity increased by $54.8M primarily due to the recognition of net profit after tax of $232.9M, partially offset by capital management activities undertaken during the year being a capital return of ($99.4M) and the share buy-back program ($18.2M). Also impacting equity during the year was the payment of dividends totalling ($65.7M) and other transactions relating to the Group's share-based incentive plans and the purchase of treasury shares.

Summary Statement of Cash Flows

	(A$M)	31 December 2021	31 December 2020	Variance
	Profit before interest, tax, depreciation and amortisation (HC) before significant items	927.3	273.9	653.4
	(Increase)/decrease in Trade and other receivables	(502.3)	456.3	(958.6)
	(Increase)/ decrease in inventories	(480.8)	497.9	(978.7)
	(Increase)/decrease in Prepayments	(9.5)	9.0	(18.5)
	Increase/(decrease) in Trade and other payables	801.3	(859.6)	1,660.9
	Increase/(decrease) in provisions	10.3	(6.9)	17.2
1.	Changes in working capital	(181.0)	96.7	(277.7)
2.	Non-cash items in profit before interest, tax, depreciation and amortisation	2.8	5.5	(2.7)
	Repayment of lease liability	(137.7)	(124.8)	(12.9)
	Interest on capitalised leases	(173.3)	(171.0)	(2.3)
	Operating free cash flow before capital expenditure	**438.1**	**80.3**	**357.8**
	Payments for PP&E and intangibles	(185.1)	(158.5)	(26.6)
	Proceeds from sale of PP&E	5.1	15.0	(9.9)
	Net inflow/(outflow) for land developments	1.6	-	1.6
	Acquisition of investments	(15.8)	-	(15.8)
	Repayment of loan by associate	4.2	-	4.2
3.	Proceeds from sale of investments	-	730.1	(730.1)
4.	Payment for treasury shares (net of contributions)	(9.4)	(8.8)	(0.6)
5.	Share buy-back	(18.0)	(50.3)	32.3
6.	Dividends received from associates	-	19.8	(19.8)
	Net free cash flow before financing, tax and dividends	**220.7**	**627.6**	**(406.9)**
	Finance costs	(8.9)	(6.6)	(2.3)
	Net cash consideration paid for step acquisition of associate	-	(1.0)	1.0
7.	Net income tax (payments)/refund	(36.1)	11.8	(47.9)
	Net cash flow available for dividends and before borrowings	**175.7**	**631.8**	**(456.1)**
8.	Dividends paid	(65.7)	(180.5)	114.8
9.	Capital return	(99.6)	(414.4)	314.8
	Net drawings/(repayment) of borrowings	37.3	(107.2)	144.5
	Net cash flow	**47.7**	**(70.3)**	**118.0**
	Opening net debt	**(104.2)**	**(137.4)**	**33.2**
	Net debt acquired – Westside Petroleum	-	(2.2)	2.2
	Amortisation of borrowing costs	(1.4)	(1.4)	-
	Reclassification of borrowing costs	-	(0.1)	0.1
	Closing net debt	**(95.2)**	**(104.2)**	**9.0**
	Change in net debt	**10.4**	**36.9**	**(26.5)**

2021 Business performance summary continued

Summary Statement of Cash Flows analysis

1. Changes in working capital

Inventory increased primarily as a result of an increase in average benchmark crude and refined product prices of A$45.2/BBL, with further increases a result of higher closing stock levels.

2. Non-cash items

Profit before interest, tax, depreciation and amortisation (HC) before significant items includes certain non-cash items, comprising share of profit in associates of $0.6M, unrealised gains on foreign exchange and derivatives of $3.3M, offset by transactions relating to employee share-based payments of $6.9M and other minor amounts.

3. Proceeds from sale of investments

In the prior period, the Group sold its 35.5% security holding (276,060,625 stapled securities) in Viva Energy REIT (now called Waypoint REIT) for an average of $2.66 per security.

4. Payment for treasury shares (net of contributions and capital returns)

During the year 4,269,221 shares were purchased at an average price of $2.20 per share ($9.4M).

5. Share buy-back

During the year the Company continued with the buy-back arrangements as announced on 24 August 2021 and purchased 7,924,716 shares on-market at an average price of $2.27.

6. Dividends received from associates

In the prior period, the Group received payment of the Waypoint REIT 2019 final dividend prior to the sale of its investment in the company.

7. Net income tax payments/refund

The net income tax payments of $36.1M for the year represents a $23.7M tax refund received post-lodgement of the Group's 2020 financial year income tax return (whereby instalments paid during the prior year exceeded the Group's final tax liability), tax instalments of $54.6M paid by the Group in the current year to the ATO, and tax payments of $5.2M by the Group on behalf of its Singapore tax resident entity (Viva Energy S.G. Pte Ltd) to the Singapore tax authority.

8. Dividends paid

On 23 September 2021, the Company paid a fully franked interim dividend of 4.1 cents in relation to the six months ended 30 June 2021 ($65.9M). Of this payment, $0.2M related to the Group's treasury shareholding at the time of payment.

9. Capital return

On 24 October 2021, the Company returned $99.7M to shareholders by way of a capital return of 6.2 cents per share as part of the Group's capital management program. Of this payment, $0.3M related to the Group's treasury share holding at the time of payment. Transaction costs of $0.2M were incurred.

Risk management

Our growth and success depends on our ability to understand and respond to the challenges of an uncertain and changing environment. This uncertainty generates risk, with the potential to be a source of both opportunities and threats. By understanding and managing risk, we provide greater certainty and confidence for all our stakeholders.

Our Enterprise Risk Management (ERM) Framework and related risk management policies and procedures are designed to identify, assess, monitor and manage risk and, where appropriate, keep relevant stakeholders informed of material changes to the Group's risk profile.

The Board considers risk management fundamental and pertinent to the success of the Group and takes ultimate responsibility for its oversight and stewardship. Notwithstanding, risk oversight and management is a responsibility shared by all in the Group.

The Group articulates its tolerance levels for risk that it is prepared to accept in the execution of its strategic and business objectives. Management regularly demonstrates to the Board that the Company is operating with due regard to its risk appetite.

We identify:

- Those risks, being operational, financial and regulatory that have the capability of impacting achievement of the Group's strategy and goals (Strategic Risks).
- Those risks that have the capability to cause harm to people, the environment, assets or our reputation as a result of Viva Energy undertaking its operations (Health, Safety, Security and Environment (HSSE) risks).

Some risks are both Strategic and HSSE in nature.

Executive management and the Board regularly review the risks identified, challenge how they are mitigated and assess the assurance activities directed towards the key controls over each of the risks.

Strategic risk	Our response
Compliance and regulatory risk	
Compliance Viva Energy is subject to a wide range of legislative and regulatory obligations and we operate a number of facilities under various permits, licences and approvals (Regulatory Approvals) including facilities designated as Major Hazard Facilities. Failure to comply with legislative requirements or the conditions of Regulatory Approvals may cause damage to our brand and reputation. It could also result in fines and penalties and/or loss of applicable Regulatory Approvals, which would adversely impact Total Shareholder Return (TSR).	**Compliance** • Our compliance program incorporates Business Principles and Code of Conduct, policies and procedures, staff compliance training and audits. • We have detailed operating procedures, standards, training, audit and assurance programs. • We have the specialised knowledge we need in our teams and from external consultants and we involve subject matter experts to minimise the risk of non-compliance with permits, legislation and regulation. • We monitor existing regulatory requirements. • We have a robust licence renewal submission process to ensure that the business is not subject to onerous additional conditions.
Action by governments and regulators Changes in laws or the conditions of Regulatory Approvals could also materially impact our strategic objectives, operations and TSR.	**Action by governments and regulators** • We monitor political activity and proposed changes to the law. • We work with select industry bodies to influence on issues that may affect our industry. • We engage with regulatory bodies and lawmakers both directly and through industry bodies on issues that may affect our industry.
Commodity price exposure	
Viva Energy is exposed to the risk of movements in global hydrocarbon pricing, particularly in respect of the refining margin earned by the Geelong Refinery. Fluctuation in the refinery margin can impact TSR.	• We manage commodity price exposure through active monitoring of commodity price exposure, hedging and the purchase or sale of swap contracts up to 24 months forward. • Federal Government Fuel Security Services Payment (FSSP) will provide financial support in low refining margin environment during the applicable commitment period.

2021 Business performance summary continued

Risk management continued

Strategic risk	Our response
Operational and supply chain risks	
Our operations and supply chain can be disrupted by events such as extreme weather, accidents, breakdown or failure of infrastructure, interruption of power supply, and off-shore supply impacts. Disruption to any part of Viva Energy's supply chain could impact our operations and TSR. The Geelong Refinery may be disrupted by mechanical failures, equipment shutdowns, major accidents and other events that disrupt operations. Any such event may have a material adverse impact on refining capacity and revenues. The continuing threat of further outbreaks from the COVID-19 pandemic may have a material impact on operations or financial results should government-imposed restrictions cause a decline in demand for our products, or affect the credit position of our customers (amongst other matters). ExxonMobil completed the closure of its Altona refinery in August 2021. LyondellBasell Australia operates a polypropylene manufacturing plant (the 'LBA Plant') that is adjacent and connected to the Geelong Refinery. The LBA Plant takes product generated from refining activities at the Geelong Refinery and (prior to its closure) the Altona refinery and uses such product as feedstock to its own plant. With the closure of the Altona refinery, operations at the LBA Plant may be impacted, which may in turn have an adverse impact on the operations of the Geelong Refinery.	**Supply chain** • We maintain minimum stock levels. • We conduct due diligence assessments on shipping and road transport providers. • We also manage this risk through alternative supply options. • We maintain insurance coverage for major events and supply interruptions. **Refinery** • The Geelong Refinery has a proactive monitoring, inspection and preventative maintenance program to manage the risk of HSSE incidents and unplanned plant outages. • In line with better practice and industry standards, unit turnarounds are undertaken every four to six years. • The business has emergency and crisis management plans in place and regularly undertakes simulated response exercises to test the effectiveness of these plans. These exercises often include the relevant community and emergency response authorities. • We invest in utility infrastructure to minimise the impact of disruptions to externally provided resources such as gas, electricity or water. • We maintain sufficient finished product stock levels to ensure an adequate buffer to cover typical potential unplanned outages. • To address the risk of COVID-19 directly impacting our ability to operate the refinery, various measures were put in place to reduce/limit the impact of COVID-19 infiltrating the workplace, for example minimising the number of staff on site and reducing interactions between workgroups, the use of temperature checks, and implementing vaccination incentive and rapid antigen testing programs. • We continue to monitor and vet international shipping and procurement activities, and provide regular updates to all employees, including current advice from the Department of Health. • We continue to work with LBA on the implications of the closure of the Altona refinery and assessing mitigating options to address the risk for the Geelong Refinery.

Strategic risk	Our response
HSSE risks	
Processing, transportation and storage of crude oil and petroleum products, and the operation of the Geelong Refinery and fuel storage facilities, include inherently hazardous and dangerous activities. A major incident could result in injury or fatality and/or damage to the environment. This could also negatively impact our brand and reputation, and TSR. There is also a risk of smaller spills and leaks of petroleum and crude oil to the environment, which would give rise to liabilities for clean-up and remediation costs.	• We have in place a comprehensive HSSE control framework and management system. • Our HSSE Management System is supported by a number of policies, procedures and standards designed to ensure that HSSE risks are either eliminated or reduced so far as reasonably practicable. • We provide appropriate information, instruction, training and supervision to our people to drive safe operations at all levels. • We have a risk-based audit and assurance program, which reviews facilities and critical activities against the HSSE Management System, legislative requirements and industry best practice in order to identify continuous improvement opportunities. • Significant and high potential events are investigated to identify root causes, with corrective actions put in place and learnings shared across our operations. • HSSE performance is one of our key performance indicators that is actively measured and reported to the Board.
Key strategic relationships and third party branding	
We have a number of key business and operational relationships, including with Coles Express, Shell, Vitol and Liberty Oil Convenience. A material deterioration in the nature of Viva Energy's arrangements with these parties or a material decline in the performance of these parties or their reputation or brand has the potential to negatively impact our brand and reputations as well as TSR.	• We manage this risk through our contractual rights. • We carry out assurance activities at Coles sites, which address key operational performance. • We have established a crisis management team and we undertake an annual crisis management training exercise jointly with Shell. • We have regular engagement with representatives of all third parties. • We have representation on the Boards of Viva Energy equity interests (e.g. Liberty Oil Convenience) to oversee that an appropriate internal control framework is in place.

2021 Business performance summary continued

Risk management continued

Strategic risk	Our response

Climate change

Strategic risk

Climate change risk has both transitional and physical elements. Transitional risk is the risk flowing from a transition to a lower-carbon economy that may affect the Group's business model in the future. Physical risk is the risk flowing from acute events or chronic longer-term shifts in climate patterns resulting from climate change that may require mitigation and adaptation actions.

The risk to our business includes:

- decline in demand for our products due to government policy, technology or market changes in response to climate change (including shifts in consumer preferences);
- increased operating costs arising from regulatory responses to reduce greenhouse gas emissions (such as a price on carbon);
- increased exposure to legal action as stakeholder scrutiny of emissions intensive industries grows;
- increased reputational impacts affecting our ability to attract investment and talent; and
- physical impacts on our assets and supply chains from increased frequency and severity of extreme weather and rising sea level events.

Our response

- We seek to understand our performance in a range of future demand scenarios, including by assessing the potential impacts of transitional risks on the performance of our business units.
- We have adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as a framework for our climate risk assessment and disclosures.
- We actively monitor industry forecasts and technological developments to understand where the industry and energy markets are heading.
- Our strategy focuses on our core business, as well as pursuing new sustainability strategic opportunities that we see developing in the low-carbon energy transition, such as our vision for the Geelong Energy Hub.
- We are incorporating climate-related issues into our financial planning process by adopting shadow carbon prices to be applied in our investment evaluation and capital allocation process.
- We consider physical climate risks when developing significant projects such as the Gas Terminal Project.
- We monitor and report on our carbon footprint, and have announced our commitment to operational emissions reduction targets, including 'net zero by 2050'.
- We are a member of energy forums, industry groups and peak advocacy bodies and see value in joint industry action on climate change in order to promote sustainable industry development.
- We also monitor potential regulatory change and participate in consultation processes either directly or through industry associations to shape policy in the area of climate change, and we maintain a policy dialogue with all levels of government on climate change issues.

Liquidity and financing

Strategic risk

Viva Energy has substantial working capital requirements due to the need to purchase large shipments of crude oil and refined products. We rely on banks and supply and trade financing arrangements to provide working capital funding. Adverse changes in our relationship with providers of funding or in financial markets, which reduce our access to, or increase the cost of, funding could adversely impact our financial position.

Our response

- Our treasury function operates within a fit for purpose Board-approved Treasury Policy. The Policy requires maintenance of sufficient cash reserves and ensures robust reporting of our cash position to management and the Board.
- We have access to working capital funding sources through a syndicated financing facility and a range of trade finance facilities.
- Our credit risk management function ensures credit is provided within our desired risk parameters.
- We actively monitor cash flow through the proactive management of accounts receivable and accounts payable, and we have insurance cover in the event of a major incident to supplement loss of income (cash receipts).
- Federal Government Fuel Security Services Payment (FSSP) will assist to maintain sufficient liquidity during the applicable commitment period.

Strategic risk	Our response
Refining margin exposure	
The Geelong Refining Margin (GRM) is based on the difference between the value of the refined products that the Geelong Refinery produces and the cost of the crude oil and feedstock it consumes to do so. Refining margins are affected by a range of factors including a decline in regional demand for refined products, increased refining capacity, international freight costs and exchange rate fluctuations. A low GRM can materially impact earnings of the Geelong Refinery.	• We undertake regular assessment of the economic viability of maintaining refining activities. This includes rigorous economic justification for capital projects and turnarounds as well as the ability to shut down unprofitable individual processing units, logical groups of units or the complete refinery. • We utilise dynamic inventory planning to optimise refining margin performance. • We have programs to improve operational availability and reliability. • We have in place a fit for purpose refinery margin hedging policy. • Federal Government Fuel Security Services Payment (FSSP) will provide financial support in low refining margin environment during the applicable commitment period. • Refining margin movements as a result of regional market forces are inherent in the refining business and the activities outlined above are not designed to completely eliminate this exposure.
Exchange rate	
Viva Energy purchases crude oil, feedstock and finished products in US dollars and sells its products predominantly in Australian dollars. Fluctuations in the AUD/USD exchange rate may negatively impact our earnings and cash flow.	• We operate a hedging program that is designed to manage the impact of exchange rate fluctuations.
Credit risk	
Credit risk is the risk that a customer or counterparty fails to meet its contractual payment obligations. Such a default could impact our revenue and cash flow.	• We undertake credit risk assessments on customers. • We establish credit limits. • We manage exposure to individual entities. • We have insurance cover in place in the event of major incidents to supplement loss of income (cash receipts).
Material decline in demand for our products	
A number of external factors, including a decline in economic activity, the entry of new competitors into the business segments in which we operate, a change in government policies/regulation, shifts in consumer preferences and changes in technology, have the potential to negatively impact demand for our products. The COVID-19 pandemic highlights the risk that further outbreaks could have an impact on demand for our product, particularly if there is a significant and prolonged period of reduced travel and other related changes in consumer mobility behaviour. If there is a significant decline in demand for our products, this could materially impact TSR.	• We operate in a range of business segments and with a range of product offerings. • We seek to understand our performance in a range of future demand scenarios. • We actively monitor industry forecasts and technological developments to understand where the industry and energy markets are heading. • Our strategy is to optimise performance of our core business as well as to identify new adjacent areas for growth and new opportunities in the energy sector, such as Electric Vehicles, Hydrogen, Bio Fuels and other alternative fuels.

2021 Business performance summary continued

Risk management continued

Strategic risk	Our response
Labour costs, labour availability and industrial disputes	
Viva Energy's operations are affected by availability and costs of labour and the health of our working relationships with employees and labour unions. A major dispute with one or more unions representing our (or our major contractors') employees could disrupt operations at one or more of our facilities and materially impact TSR. Similarly, a material increase in the cost of labour could impact production costs and profit margin. The COVID-19 pandemic has limited the labour market by restricting skilled labour from entering the Australian market, compounded by less movement domestically. With only two remaining refineries in Australia, the pool of experienced skilled labour for the refining business is decreasing.	• We proactively manage the relationship with our employees. • We have in place employee agreements. • We conduct regular benchmarking to ensure that wages and other benefits offered to employees remain competitive. • In the event that a risk of employee or third party industrial activity is heightened, we develop contingency plans to mitigate potential impacts on our operations.
Cyber security	
A cyber security breach by an external attacker or trusted insider could cause operational, reputational or financial damage or loss to Viva Energy. COVID-19 restrictions have continued the need for an increased number of people working remotely and connecting to our environment.	• Viva Energy has a range of user access controls that restricts and contains the ability for a user to have wide-ranging access. • We have robust user education and training as the frontline defence mechanism to phishing and malware attacks. • We operate a third party Security Operations Centre, which monitors and analyses Viva Energy's security posture. • We utilise extensive technology based controls and undertake independent technology controls testing and validation. • Viva Energy engages with agencies/bodies that monitor and provide intelligence to companies regarding cyber threats. These include the Critical Infrastructure Centre, the Australian Security Intelligence Organisation – Business & Government Liaison Unit and the Australian Cyber Security Centre.

Sustainability report

2021 Performance summary

44%
female representation in our Senior Leadership Team
Target: 40%

Total Recordable Injury Frequency Rate (TRIFR)[1]
6.70
2020: 3.61

Process Safety Events[1]

1	**3**
API Tier 1 Events	API Tier 2 Events
2020: 1	2020: 2

96%
RAP deliverables completed

Scope 1 and 2 GHG emissions[2]
1,201,725
tCO_2-e

77%
of freshwater used for Geelong Refinery is from recycled sources

2021 Highlights

Maintained a high level of employee engagement
69%

Net Zero
emissions reduction commitments[3]
Non-refining by 2030
Group by 2050

Launched
Carbon Neutral Jet Fuel

Introduced a
Supplier Code of Conduct

Winner of AFR BOSS
Best Places to Work
in the Agriculture, Mining and Utilities industry

Geelong Energy Hub
projects under development

1. Excludes performance of Liberty Oil Holdings.
2. This data relates to 1 July 2020 - 30 June 2021.
3. Operational Scope 1 and Scope 2 greenhouse gas emissions.

Sustainability report continued

Sustainability at Viva Energy

Helping people reach their destination

At Viva Energy, everything we do is driven by our purpose to help people reach their destination. We aim to achieve this in a way that contributes to positive sustainability outcomes, and is aligned with our values: Integrity, Responsibility, Curiosity, Commitment and Respect. As part of our Business Principles, we commit to balancing short-term needs and interests with those of future generations, and integrating economic, environmental and social considerations into business decision-making.

On the road we provide quality transport fuels and convenience needs through a nationwide network of more than 1,340 Shell, Liberty and Westside branded convenience stores. In business, we provide a range of high-quality fuels and industrial products and services to help our commercial customers succeed and contribute to economic prosperity. At the national level, we play a vital role in meeting Australia's energy security needs with our Geelong Refinery producing 10% of the country's fuel requirements, and serving communities across Australia through our network of more than 55 fuel terminals and depots and presence at over 50 airports and airfields across the country.

At work, we provide rewarding careers for our employees and contractors, and we acknowledge the trust that is placed in us to operate safely and minimise our impact on the environment in the communities where we operate. We aim to help Australia reach net zero by reducing emissions in our own operations and supporting our customers in reducing theirs. We are committed to reaching net zero by 2050 and are excited about the important role we must play and the opportunities in the transition to lower-carbon energy.

Our approach to the energy transition is to continue to support Australia's energy security while concurrently developing, integrating and commercialising new lower-carbon energies so that we actively support and accelerate the transition. We believe that the move to lower-carbon energies is a transition, not a switch. We currently don't have the infrastructure in place to support a sudden change in the energy mix. For example, our transport systems rely heavily on liquid fuels, and for some applications such as aviation there is currently no obvious commercial substitution. Today's electricity grid cannot yet support 100% renewables, and our homes and businesses are reliant on gas supply for their hot water, heating and cooking.

The transition of the entire energy system is a complex process requiring a long-term commitment. New technology, clever engineering, a stable and appropriate policy framework, and new behaviours will all be essential, along with significant investment in infrastructure by governments and the private sector. Balancing energy security and the energy transition will be important to reaching our nation's climate goals without compromising its development or unduly disrupting people's lives. We believe they are common goals, and we are determined to play a critical role in both.

Our Geelong Refinery services the country's largest contiguous market, with Victoria, South Australia and New South Wales all receiving fuels produced at Geelong. The refinery takes crude from local gas and condensate fields and has dedicated port capability to receive oil crude oil and refined products for processing through our refining infrastructure. Supplying around 10% of the country's liquid fuel requirements, and approximately 50% of Victoria's, the Geelong Refinery is well placed to service the nation's fuel demand well beyond the end of this decade, displacing imports as demand declines with the uptake of alternative energies in the long term. Fundamentally we provide an important base level of energy security while the country undertakes a broader energy transition.

In the case of natural gas, Victoria and other south-eastern states are facing a significant decline in natural gas supply as traditional domestic gas fields reach their end of life. Gas substitution policies are important and under development, but the execution and success of these will take many years to deliver and likely to reach well into the next decade. In the meantime, people will continue to need gas to heat homes, cook and underpin many industrial businesses and jobs. Once operational, our proposed Gas Terminal at Geelong can be rapidly connected to the largest gas market in Australia, bringing gas from other parts of the country and overseas to fill the projected shortfall. As gas demand evolves, the terminal will provide the flexibility of adaptable supply, eventually able to be removed if the facility is no longer required. The project can provide energy security without any additional local gas fields required to be developed, or major pipelines built. We therefore support both energy security and the energy transition in a sensible, flexible and economical way.

We also have an important role to play in developing and commercialising new and emerging energies. We are particularly focused on helping our customers reduce their own emissions, and introducing hydrogen for commercial road transport applications, such as buses and trucks. Pure Battery Electric Vehicles are not suitable for these applications due to the weight of the battery and charging times required. Hydrogen replaces the battery, which reduces the payload impact and improves refuelling times with an experience that is similar to traditional fuels. It is a product that we are already familiar with and will integrate well with traditional service stations and refuelling facilities. Together with Australia's planned investment in large-scale hydrogen production, our role is to integrate this with traditional fuels to provide a complete energy solution and provide home-base and on-road infrastructure.

Although this remains an emerging energy, we are excited about the opportunity that this presents and have announced our plans to develop a hydrogen refuelling service station at our Geelong Energy Hub alongside a behind-the-meter solar farm on our available refinery land. This integration of traditional and emerging technology is an example of how Viva Energy can bring together industry and government to address energy security and transition challenges, while providing transitional job and development opportunities for our employees, and continuing to support the socio-economic wellbeing of the communities we operate in.

We are committed to being an active participant in the energy transition by extending our role in energy security and leveraging our capability to develop new energies to support our customers, the environment and the broader economy.

Our approach to the energy transition is to continue to support Australia's energy security while concurrently developing, integrating, and commercialising new lower-carbon energies so that we actively support and accelerate the transition.

Highlights for 2021

2021 was another challenging year for our people, our customers and our communities, as the impacts of the global COVID-19 pandemic continued to be felt in the immediate term. It was also characterised by increased concern about climate change across society, industry, government and financial markets, and the need for accelerated action to achieve the Paris Agreement objectives, which we support. Despite these challenges, we have made significant progress on the development of our strategic priorities and our sustainability agenda. These are set out in this Sustainability Report, with key highlights including:

- The health, safety and, more than ever, the wellbeing of our employees and contractors remains our highest focus. We have a Goal Zero ambition of no harm to people or the environment, and in 2021 we strengthened our focus on employee mental wellbeing support and flexible ways of working.
- We had a very high level of voluntary vaccination across our workgroups, and minimal infection within the workplace. This helped us protect our people and maintain safe and reliable supply of fuels to our customers throughout the evolving pandemic. There were no material disruptions to our operations, and our employees displayed great resilience and engagement through this challenging period.
- Although we recorded an elevated number of personal safety incidents in 2021 compared with prior years, our employees' commitment to safety remains very high with over 95% believing that their team is committed to always operating safely.
- Our environmental compliance performance continues to improve, with zero environmental non-compliances recorded across our non-refining operations nationally, and a sustained reduction in loss of product containment incidents compared with previous years.
- We recognise and value the diversity of our employees and are proud of our best-practice policies to support flexible working, inclusion and diversity, and gender pay gap closure. Our efforts in this area were recognised by being awarded winner of the AFR Boss Best Places to Work for our sector, once again receiving citation under WGEA's Employer of Choice for Gender Equality, and we became a signatory to 40:40 Vision for corporate leadership gender balance in Australia by 2030.
- We continued to embed our new Viva Ways of Working via three dedicated work streams, Viva Flex, Viva Connect and Viva Tech. Our Ways of Working have become an important and permanent part of our culture, and supported our people through the COVID-19-related restrictions to our traditional ways of working. We also maintained a high level of employee engagement of 69% while managing the challenges of COVID-19 on our people.
- We strengthened our commitments to the highest standards of ethical business and conduct, including releasing our second Modern Slavery Statement in 2022, introducing a Supplier Code of Conduct, and refreshing our Business Principles and Code of Conduct.
- Engagement and positive contribution to the communities in which we operate continues to be a focus. We refreshed our community partner program and completed the implementation of our first Reconciliation Action Plan.

Sustainability report continued

- We continued to play a very important role in providing energy security for Australia, and see this continuing through the energy transition ahead. We worked closely with the Federal Government to implement a long-term Fuel Security Package, including our commitments to continue refining until at least mid-2028 to produce Ultra-Low Sulphur Gasoline, maintain minimum fuel stock levels, and build more diesel storage.
- We made material progress in the development of our proposed Gas Terminal at Geelong, which aims to maintain gas supply security in south-eastern Australia in response to a projected supply shortfall in the coming years, and provide a potential power source to support the transition to renewables in the electricity sector.
- We publicly released our long-term corporate strategy, which sets out ambitions to transform Retail into a fully integrated convenience business, extend our Commercial and Industrial business to non-core fuel products and services opportunities and support our customers to reduce emissions, and transform our refinery to a diversified Energy Hub.
- We announced our ambition to achieve net zero Scope 1 and 2 emissions for the Group by 2050. We committed to achieving net zero emissions for our non-refining operations and a 10% reduction in emissions intensity for our refinery by 2030.
- We quantified our Scope 3 emissions, with the use of our products representing the most significant Scope 3 emissions source. We see that the greatest contribution we can make to reducing Australia's emissions is through reducing the carbon intensity of the energy we produce and supply, and supporting the introduction and commercialisation of lower-carbon energies and technologies such as Hydrogen, Bio Energy and Electric Vehicle charging.

Sustainability framework

In 2021, we undertook our annual materiality assessment to confirm where our operations, products and industry have the greatest impacts (positive or negative), and to understand what is most important to our stakeholders. We use the output of this to determine our strategic focus areas and to guide our reporting. The assessment process we followed to determine material issues and key focus areas is outlined at the top of the page.

Our stakeholders are integral to our business and sustainability success, and their sustainability interests and concerns inform our materiality assessment and focus areas. We actively undertake transparent and constructive stakeholder engagement and consultation through formal and informal channels.

Our key stakeholders, how we engage with them, and their sustainability matters of interest are summarised in the Stakeholder engagement section on pages 4-5 of our *Sustainability Data Supplement 2021*, available at vivaenergy.com.au/sustainability.

Identifying our focus areas

1 Identify important sustainability issues

We engaged with our stakeholders and identified sustainability issues based on:
- economic, environmental and social positive and negative impacts and the risks associated along our value chain;
- current and emerging global trends in sustainability; and
- future challenges and opportunities for our sector.

2 Prioritise the sustainability issues

We then prioritised the sustainability issues based on how they:
- substantively influence the assessments and decisions of stakeholders; and
- reflect the Group's significant economic, environmental, and social impacts.

3 Define focus areas

We defined the key sustainability issues and mapped these to the GRI Standards and UN SDGs. We then clustered these priority topics into focus areas, which we use in our sustainability approach and reporting.

We have identified seven strategic focus areas spanning all material sustainability issues, risks and opportunities relevant to our business, as shown in our Sustainability Framework below. We consider these to be the areas that matter most to Viva Energy and our stakeholders, and where we can make the most positive impact.

Our strategic business focus on the opportunities in the energy transition and increasing external stakeholder expectations regarding climate change action have elevated this focus area, as covered under *Climate change and the energy transition*. We have recognised the increased focus on wellbeing in our *Health, safety and wellbeing* focus area as COVID-19 continued to present an immediate-term challenge to our people, the community, and the economy. Issues such as energy security, modern slavery, cyber security and sexual harassment and bullying also gained increased prominence in 2021, and are covered in our report.

Our seven focus areas form the basis of our disclosures in the following sections.

3 GOOD HEALTH AND WELL-BEING

Health, safety and wellbeing

Protecting and improving the health, safety and wellbeing of our people is an essential part of our culture – it defines how we operate and represents how we live our values.

We are continuously enhancing our workplaces, policies and procedures in pursuit of Goal Zero – no harm to people or the environment.

2021 Performance and progress

Total Recordable Injury Frequency Rate (TRIFR)[1]

6.70

2020: 3.61

19

Loss of Primary Containment (LOPC) > 100kg incidents[1]

2020: 19

Total Lost Time Injury Frequency Rate (LTIFR)[1]

1.97

2020: 1.14

Process Safety Events

1 API Tier 1 Events
2020: 1

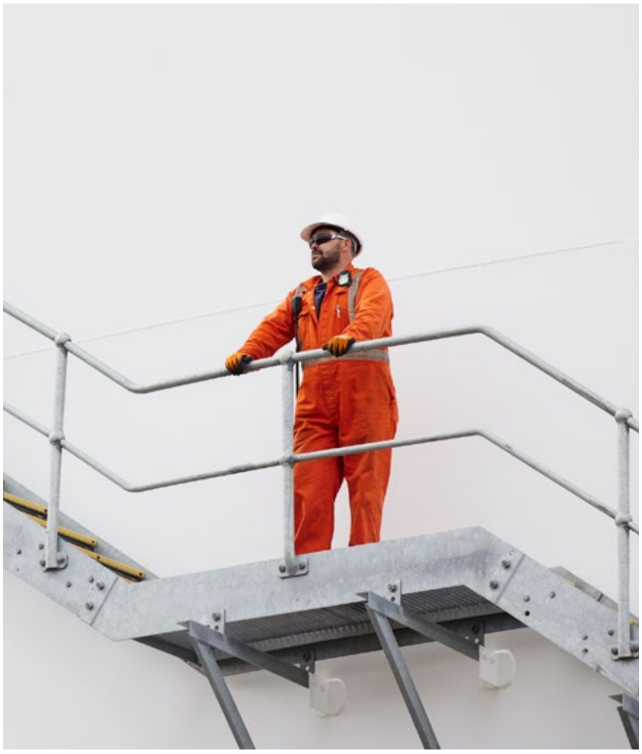
3 API Tier 2 Events
2020: 2

1. Excludes performance of Liberty Oil Holdings.

- Developed a three-year Wellbeing Strategy to build on our existing mental health and wellbeing support framework
- Further implemented the Advanced Error Reduction in Organisations (AERO) and Goal Zero and Beyond programs across our operations
- Implemented our enhanced loss prevention strategy at Geelong Refinery, which focused on increased inspections in pipetracks, on buried pipelines and in culverts, using advanced technologies such as long-range ultrasonic testing
- Sustained our robust health screening and return to work practices, including rapid antigen testing to help prevent COVID-19 impacting our people and operations
- Maintained connection with our people by our Health team conducting:
  - Almost 900 employee welfare calls
  - 5,800 telehealth consultations with employees and contractors
  - Over 500 home office ergonomic assessments for employees working from home.

2022 Priorities

- Rollout of our long-term Wellbeing Strategy – leaders and people managers will complete mental health awareness training supported by the Black Dog Institute
- Continue rollout of Move4Life movement training – addressing musculoskeletal injury risk and supporting physical wellbeing of our workforce across all operations
- Increase field safety observations and in field conversations between senior leaders and workers in support of improved visible safety leadership and oversight
- Continue asset-specific focus via the Geelong Refinery integrity inspection program
- Growing personal safety risk identification capability through Work Insights and Learning Huddles in Supply Chain operations
- Integration of AERO principles into critical procedures and management systems at Geelong Refinery.



The foundation of our safety strategy

The foundation of our safety strategy is that our people are the solution – they hold the knowledge and expertise to address any safety issue and we trust and empower them to do so.

In support of this principle, our safety strategy focuses on leadership, learning and capability of our people. It aligns with our business values and behaviours – the Viva Way.

Our safety strategy aligns with these values to drive performance beyond Goal Zero by understanding what motivates our people in their working and personal lives.

2021 Employee engagement results on health and safety

92%
of participating employees feel empowered to intervene and raise safety concerns.

95%
of participating employees agree their team is committed to operating safely.

98%
of participating employees understand the health and safety risks relevant to their roles.

Our HSSE Policy and Management System

Our commitment to Health, Safety, Security and Environment (our HSSE Policy) sets out how we conduct our operations safely and responsibly. We measure and assess our performance against established benchmarks (and relevant licences) to promote continuous improvement.

The HSSE Management System is reviewed annually and defines our approach and key controls for managing HSSE risks across all operations for all employees, contractors and visitors. Learn more at vivaenergy.com.au/sustainability/health-and-safety/our-commitment-to-hsse.

Health and wellbeing

In 2021 we continued to deliver our health risk management strategy and our ongoing response to the COVID-19 pandemic. During the pandemic the focus has been on the potential psychosocial risks experienced by those who switched to remote working, and COVID-related physical, emotional and social impacts.

Over 94%
of our employees had two COVID-19 vaccinations in 2021.

Our Health, Safety and Operations teams worked to minimise any material COVID-19 disruptions, minimise health risks and maintain business continuity even through long-term lockdowns in Victoria and New South Wales. As a result, no facilities or operations were shut down due to the pandemic.

Our Health team managed a material increase in presentations through the year, particularly in supporting employees to return to work after illness or COVID-19 close-contact assessments.

We kicked off our COVID-19 vaccination campaign in early 2021 with an incentives program – Viva Gets Vaccinated. This ensured we were in a good position when vaccine mandates were introduced at state levels, particularly for our Victorian-based workforce.

The mental health and wellbeing of our people was a key priority, supported by proactive strategies like People Connect workforce forums, the Be You and Be Well campaign and annual Safety Day activities.

A new Wellbeing Strategy

Our three-year Wellbeing Strategy provides a framework for proactively managing physical, social and emotional wellbeing.

The Viva Energy Be Well scorecard was relaunched at Safety Day 2021. The program encourages our workforce to monitor aspects of their physical wellbeing like blood pressure, blood sugar levels and cholesterol.

In 2022 and beyond we will continue to support the mental health and wellbeing of our people. Training with the Black Dog Institute will further equip leaders and managers to recognise and respond to signs of mental health and wellbeing challenges.

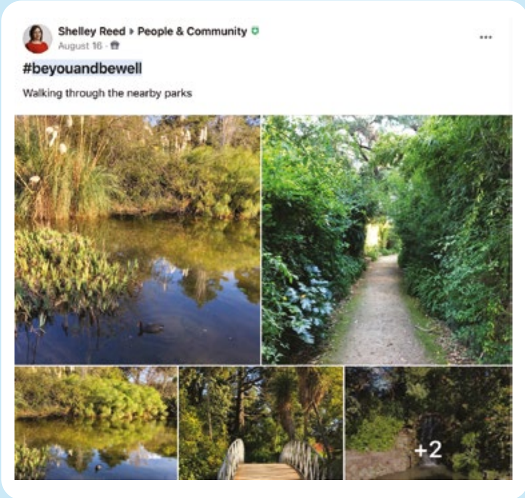
Sustainability report continued

Case study: Better together with #beyouandbewell

The #beyouandbewell campaign supported our people in New South Wales and Victoria who experienced extended lockdowns to stay well and stay connected. Based on caring for ourselves, caring for each other, and caring for our community, the campaign embraced the spirit of 'better together'.

Our people around Australia were invited to find small ways to stay well and support their mental health. Everyone was encouraged to share their efforts to #beyouandbewell by posting photos and videos on our internal social media platform – Workplace by Facebook.

Our teams engaged in the campaign by sharing their activities including exercising, family time, cooking and time with pets. The opportunity to see a glimpse of work colleagues' lives outside work provided valuable connection.



Personal safety

Personal safety focuses on the prevention of injuries to our employees, contractors or anyone who could be impacted by our operations. Maintaining safer workplaces, robust operating procedures and a strong safety culture are all part of our approach.

For more on our approach to personal safety visit vivaenergy.com.au/sustainability/health-and-safety/personal-safety

Personal safety performance[1]

	2019	2020	2021
Viva Energy (excluding Liberty Oil Holdings)			
Total Exposure Hours (million)	6.38	5.27	**5.07**
Total Lost Time Injuries	9	6	**10**
Employees	5	3	**2**
Contractor	4	3	**8**
Total Lost Time Injury Frequency Rate (per million hours)	1.41	1.14	**1.97**
Serious injuries	7	6	**5**
Total Recordable Injuries	29	19	**34**
Employee	13	7	**19**
Contractor	16	12	**15**
Total Recordable Injury Frequency Rate (per million hours)	4.55	3.61	**6.7**
Liberty Oil Holdings			
Total Lost Time Injuries	NR	6	**4**
Serious injuries	NR	4	**4**
Total Recordable Injuries	NR	10	**5**

1. Definitions for safety performance are included within the *Sustainability Data Supplement 2021*.

Viva Energy Life Saving Rules

We have 12 clear and simple Life Saving Rules that directly address dangerous and potentially fatal behaviours. These rules are clearly communicated and must be followed by our people and contractors. All breaches are investigated and tracked to identify trends and improvements.

1 WORK WITH A PERMIT
Work with a valid work permit when required

2 CONDUCT GAS TESTS
Conduct gas tests when required

3 VERIFY ISOLATION
Verify isolation before work begins and use the specified life protecting equipment

4 CONFINED SPACE AUTHORISATION
Obtain authorisation before entering a confined space

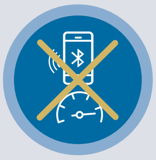
5 DISABLING EQUIPMENT
Obtain authorisation before overriding or disabling safety equipment

6 WORKING AT HEIGHTS
Protect yourself against a fall when working at height

7 SUSPENDED LOADS
Do not walk under a suspended load

8 DO NOT SMOKE
Do not smoke outside designated smoking areas

9 NO ALCOHOL OR DRUGS
No alcohol or drugs while working or driving



10 NO PHONES OR SPEEDING
While driving, do not use your phone and do not exceed speed limits

11 WEAR YOUR SEATBELT
Wear your seatbelt

12 JOURNEY MANAGEMENT
Follow prescribed Journey Management Plan

Our performance

During 2021 we registered 34 recordable injuries (up from 29 in 2019 and 19 in 2020) including five serious injuries (a continued improvement over prior years).

Over the last three years, the company's recordable injuries have been predominantly musculoskeletal-related, with the majority of injuries in 2021 incurred while workers were undertaking routine activities such as turning valves, bending over when lifting objects, and stepping down from vehicles. These generally resulted in strains and sprains from slips, trips and falls, and hand/finger injuries from 'line of fire' events. Most injuries had short-term impacts and affected individuals returned to work quickly as evidenced by the relatively low number of recordable Lost Time Injuries.

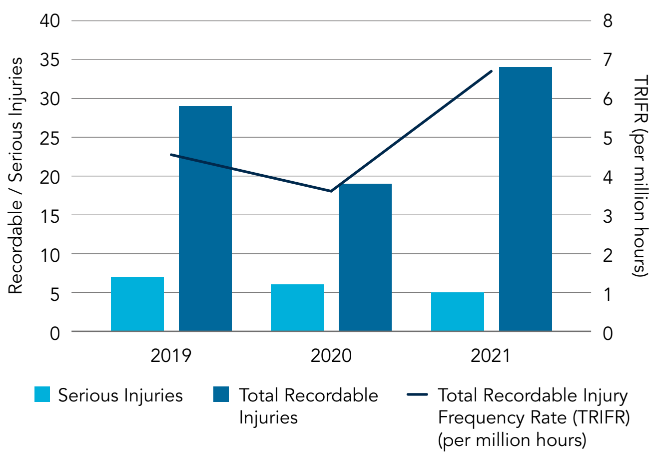
Incident investigations into these low-level impact injuries have identified a range of contributing factors including:

- External stressors and distractions affecting concentration, including the broader impacts arising from the pandemic
- Recognition of lower-level hazards in our facilities or operations that could result in sprains, strains, trips, falls or line of fire injuries
- Higher incidence of sprain and strain injuries amongst older age groups, particularly where they have experienced previous injury or wear and tear over time
- Lower levels of leadership visibility and supervision due to workplace restrictions in place to minimise COVID-19 infection, such as workplace bubbles.

In response to these learnings and conclusions, our safety programs are targeting the following areas:

- Hazard identification and task analysis of routine activities to assist in tailoring operational activities to match individual employee physical capability where required
- Extending our Move4Life movement training program in our operational environments, to further support the physical resilience of our people
- A 'hands off' approach to certain routine activities to mitigate potential hand strike injuries
- Valve management program to further prevent potential body strain injuries.

Personal safety performance[1]



1. Excludes performance of Liberty Oil Holdings.

About us
Chairman and Chief Executive Officer's report
Board of Directors
Executive Leadership Team
Operating and financial review
Sustainability report
Remuneration report
Directors' report
Auditor's independence declaration

Our visibility and oversight of routine operational activities will be foundational to supporting our safety improvement strategies. With movement less restricted across our workplaces, we are increasing our focus on visible and meaningful leadership in the field and on becoming a more learning-centred organisation. This culture of learning and leadership will be developed through improved performance monitoring and proactive leadership initiatives, including:

- Increasing field safety observations and conversations by leaders
- Embedding our Smart with Heart leadership framework
- Focusing on human performance and frontline leadership development via the AERO program at Geelong
- Growing competency in Work Insight sessions and Learning Huddles in our Supply Chain business, to more proactively identify personal safety risks in our operations.

Liberty Oil Holdings

During 2021 Liberty Oil Holdings (Liberty Oil) continued to embed Life Saving Rules and introduce fatigue monitoring systems across its vehicle fleet. Liberty Oil achieved a significantly reduced injury rate in 2021, 50% lower than last year. This reflects the general safety management system improvements made since the business joined the Viva Energy Group in December 2019.

The management of road transport risk, and driver personal safety, including the ongoing embedding of the Life Saving Rules, will continue to be a focus in 2022. Liberty Oil's HSSE Plan for 2022 also focuses on:

- Health and wellbeing
- Fixed assets integrity management
- Improving systems, data, and assurance.

A partnership with Healthy Heads in Trucks & Sheds is the foundation for the Liberty Oil approach to proactively managing mental health, with a focus on driver fitness to work. Planned systems improvements include implementing a more consistent driver training and assurance approach, fuel efficiency baseline measurements, and vehicle maintenance tracking developments.

Case study: Healthy Heads in Trucks & Sheds partnership

Liberty Oil entered a new sponsorship in 2021 with the Healthy Heads in Trucks & Sheds Foundation (HHTS). Their mission is to improve the mental health and wellbeing of every worker across the road transport, logistics and supply chain sectors.

The three-year sponsorship will assist the HHTS in delivering its National Mental Health and Wellbeing Roadmap, to provide a best-practice approach to building a psychologically safe industry.

The primary objective of the partnership with HHTS is to provide national access to resources that support mental health and wellbeing of the Liberty Oil driver community and Viva Energy terminal employees – and indirectly to suppliers.

Jennifer Gray, CEO of Liberty Oil, said she is delighted the Company can support a program that looks to bring together professional organisations such as Lifeline, R U OK?, the Black Dog Institute and Beyond Blue – in a tailored approach for the needs of the transport and logistics sector.

"We believe that industry tools will have greater acceptance with the driver community and that opens the door to better understanding and communication," Ms Gray said.

HHTS focuses its work on three key pillars:

- An increase in the number of people trained in mental health at transport and logistics facilities.
- Standardisation of policies and regulation at transport and logistics facilities.
- Helping the individual be healthier from a diet and mental health perspective.

Case study: Know your risks

Slips, trips and falls, strains and sprains and line of fire type injuries have made up 84% of personal safety injuries in our Supply Chain business over the past five years.

To raise awareness and engage with our teams, we launched the #knowyourrisks campaign in conjunction with our annual Safety Day, held in October as part of National Work Health & Safety month. Know Your Risks focused on the three activities known to be major contributors to our injuries: valve manipulation, using wharf hoses, and walking.

Know Your Risks posters were used by operations teams to:

- promote workplace conversation; and
- challenge our people to conduct a Work Insight to identify activity risk factors and control and recovery measures.

Over 40 positive news stories of hazard reduction or elimination were shared across our internal Workplace by Facebook platform in the lead-up to Safety Day.

Process safety

Process safety focuses on the safe storage, processing and transportation of hydrocarbon products to minimise risk of leaks, spills and flammable conditions. Our asset integrity programs and operating procedures in place at all facilities are critical to reducing the potential for process safety incidents.

For more on our approach to process safety visit vivaenergy.com.au/sustainability/health-and-safety/process-safety

Our operational facilities have proactive maintenance and targeted integrity management programs. These are designed to prevent the types of equipment failures that could lead to loss of containment incidents or Process Safety Events. Programs include:

- Risk-based inspection programs on significant assets such as tanks
- Major turnaround maintenance events targeted at our refinery process units
- Targeted maintenance schedules specifically for equipment classified as safety critical.

Our performance

2021 saw a similar number of loss of containment events to 2020, noting that 2020 had a 34% reduction in those incidents greater than 100kg for Viva Energy (excluding Liberty Oil Holdings), compared to 2019. There was also a significant downturn in loss of containment events related to asset integrity failures.

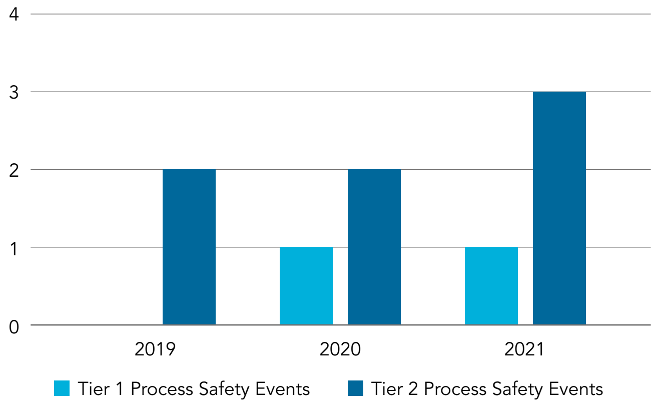
In 2021 we experienced an API Tier 1[2] Process Safety Event, involving the loss of refinery fuel gas through tank venting during a shutdown event at the Geelong Refinery. The product released was vented to atmosphere with no injury or lasting environmental impact. Key learnings include modifying equipment blanketing practices, improvements to operator log keeping and expanded reporting and response mechanisms related to abnormal vibration events.

We also experienced three API Tier 2[2] events with no offsite or environmental impacts. Two of the API Tier 2 process events occurred at Geelong. These were a crude leak from piping during ship discharge activity, and a leak of fuel oil when a bonnet gasket failed on the hydro-desulphuriser unit. The Geelong Refinery will continue to expand its integrity program in 2022 to address asset risks featured in their loss of containment and Process Safety Events over the last two years.

The third incident was due to an overfill in our gantry at Parramatta Terminal when a customer's sensor equipment failed whilst loading their tanker. Our prevention, control and recovery measures worked as designed and all product was contained onsite.

For more information on loss of containment events and spills, refer to the *Environment* section on page 61.

Process safety performance[1]



	2019	2020	2021
Viva Energy (excluding Liberty Oil)			
Tier 1 Process Safety Events	0	1	**1**
Tier 2 Process Safety Events	2	2	**3**
Liberty Oil			
Tier 1 Process Safety Events	0	0	**0**
Tier 2 Process Safety Events	0	0	**0**

1. Definitions for safety performance are included within the *Sustainability Data Supplement 2021.*

Inspections and testing

During 2021 the Geelong Refinery inspections team doubled the number of pipetrack and piping inspections and undertook extensive buried pipelines inspections to determine their integrity status, using efficient long-range ultrasonic testing technology.

The refinery also focused on upgrades to heat exchanger internals and improvements to cleaning programs preventing fouling of heat exchanger tubes, which can lead to premature equipment failure and loss of containment. We have also expanded the on-stream inspection program and corrosion monitoring at the refinery by around 10% in the last two years. These targeted integrity programs are fundamental to our continuous improvement strategy and our commitment to safe, reliable and responsible operations.

2. Tier 1 and Tier 2 Process Safety Events are defined as per API RP 754. Excludes performance of Liberty Oil Holdings.

Pipeline management

Viva Energy operates high pressure licensed pipelines in Victoria and New South Wales. These pipelines contain either crude oil (Victoria only) or refined petroleum products such as diesel, petrol, LPG or aviation fuel. Pipelines typically run alongside roads and within easements on residential, rural, industrial and rail properties.

Viva Energy also operates and maintains the WAG Hastings Pump Station, which delivers Bass Strait crude oil from Esso Long Island Point through our WAG Pipeline to our Geelong Refinery.

Pipelines are constructed, operated, and maintained in accordance with Australian Standard AS2885 Pipelines – Gas & Liquid Petroleum. Licensed pipelines are regulated by Energy Safe Victoria (ESV) in Victoria and Energy NSW in New South Wales.

Pipeline inspections

Our Pipelines Management System (PMS) ensures all Viva Energy pipelines are managed in accordance with state-based regulations, AS2885, and our HSSE MS and Hazard and Effects Management Process (HEMP) Standard.

Through our PMS we perform inspections, make improvements and institute other preventive safety measures. We routinely patrol pipelines and complete pipeline condition survey validation digs across our network to ensure continuous improvement and identify issues and maintenance requirements early.

Engaging with stakeholders

Using the Mipela X-Info Connect Stakeholder Management Database, we assess property risk profiles along pipeline transects for environmental, biodiversity, cultural heritage or other factors, and update property information. We also track correspondence and communications with property owners/tenants and other external stakeholders that have an interest in the safety and environmental aspects of our pipeline operations and maintenance activities.

Managing Major Hazard Facilities

Our larger facilities are classified under safety regulations as Major Hazard Facilities (MHFs) and are subject to operating licences and conditions. Licence renewal typically involves a comprehensive update of the facility's Safety Case, review by the relevant regulator, and consideration of past performance and safety commitment.

In 2021 we progressed the update of the Safety Case at our Clyde Terminal in Sydney as part of our MHF licence renewal. We also commenced pre-work for the re-submission of our Safety Cases for the Newport Terminal, Geelong Refinery and Lara LPG Terminal in Victoria. This process will continue in 2022 ahead of licence renewals.

Emergency and crisis management preparedness

An important factor in limiting injury and the potential impact to the environment, our assets and our licence to operate is a timely and effective response to incidents based on robust emergency planning.

We regularly engage and consult with emergency services organisations, and involve them in our drills and exercises. We also engage with the local community and other stakeholders with respect to our emergency response planning.

Crisis management planning continued to play a fundamental role in our effective response to the COVID-19 pandemic.

For more on our approach to emergency and crisis management preparedness, visit vivaenergy.com.au/sustainability/health-and-safety/our-commitment-to-hsse


VIVA

Climate change and the energy transition

Viva Energy recognises the complex global challenges posed by climate change. We support the objectives of the Paris Agreement, Australia's commitment to it, and the policies and actions critical to mitigating global warming impacts.

Over the coming decades the Australian economy, and the energy markets that power it, will need to reduce in carbon intensity and ultimately reach net zero by 2050. Traditional energies such as liquid petroleum fuels are expected to continue to play a critical role and provide energy security in the economy as the transition occurs, but we recognise that these traditional fuels will be replaced by lower-carbon energies as these develop and increasingly mature.

Viva Energy has two critical roles to play to support Australia in transitioning to a lower-carbon economy: providing energy security and actively participating in the energy transition.

Energy security is our core business – we provide approximately 25% of Australia's fuel needs. The continuous, safe, reliable and efficient supply of these fuels is critical to our everyday needs, to our security, and to avoiding disruptions of supply and price that could result from a poorly planned energy transition.

Energy transition is about our future in a decarbonising world. This means reducing the carbon intensity of our existing fuels and technologies, and introducing new lower or 'zero' carbon energies. In 2021 we outlined our Energy Transition Strategy, which comprises three complementary and overlapping areas of strategic focus: developing opportunities in new energies; collaborating with our customers on low-carbon solutions; and achieving our own net zero emissions reduction commitments.

2021 Performance and progress

Emissions reduction commitments:

- Group net zero by 2050
- Net zero by 2030 for non-refining
- 10% emissions intensity reduction for refining by 2030

1,201,725[1]

Total Scope 1 and 2 GHG emissions (tCO_2-e)

2019-20: 1,282,597

5.03[1]

Geelong Emissions Intensity (tCO_2-e / TJ)

2019-20: 5.07

118.1

Geelong Energy Intensity Index

2020: 123.9

1. This data relates to 1 July 2020 – 30 June 2021.

- Announced our ambition to achieve net zero Scope 1 and 2 emissions for the Group by 2050, with medium-term 2030 targets for our refinery (10% emissions intensity reduction) and non-refining operations (net zero)
- Progressed feasibility assessment of Geelong Energy Hub energy transition projects including our next generation service station that includes EV charging, onsite green hydrogen production and refuelling for heavy road transport applications, and separately a solar farm
- Completed three ultra-fast 350 kW electric vehicle charging installations at service stations with our partner, Evie Networks
- Announced Waga Energy partnership for bringing biomethane to market
- Launched our Carbon Solutions business, including our first carbon neutral fuel product (Jet A-1)
- Implemented shadow carbon pricing into our capital investment evaluation process
- Commenced energy efficiency project feasibility as part of the Ultra-Low Sulphur Gasoline upgrade project
- Refreshed our climate scenario assessment to align to a net zero by 2050 scenario
- Strengthened our governance committees, executive accountabilities and functional responsibilities in relation to climate change
- Completed a Scope 3 emissions baseline assessment.

2022 Priorities

- Develop the New Energies Service Station at Geelong – expected to be Australia's first publicly accessible, commercially sized hydrogen refuelling station for heavy road transport alongside EV charging
- Progress development (subject to approvals) of a behind-the-meter Solar Farm on Geelong Refinery land
- Implement an ISO50001 Energy Management System at Geelong Refinery
- Launch our expanded suite of carbon neutral fuel and speciality products
- Implementation of our Energy Transition Strategy
- Track and transparently report progress against our emissions reduction targets.

Task Force on Climate-related Financial Disclosures (TCFD)

We recognise it is critical for the sustainability of our business to understand the opportunities and risks associated with climate change, and how these are integrated into our corporate strategy.

To help guide our approach and provide transparency to stakeholders, we have adopted the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) framework.

We made significant progress towards aligning with the TCFD recommendations in 2020, particularly on scenario analysis and risk assessment. In 2021, we focused on improving our alignment with the metrics and targets element, as well as enhancing our approach in the other elements.

Reference mapping of our disclosures against the core TCFD recommendations is provided in the TCFD content index on page 14 of our *Sustainability Data Supplement 2021* at vivaenergy.com.au/sustainability.

Task Force on Climate-related Financial Disclosures (TCFD)

The recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) is a voluntary framework for climate-related financial disclosures. It recommends that companies exposed to climate risk make assessments and disclose against the following core elements:

Governance: the organisation's governance around climate-related risks and opportunities.

Strategy: the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning.

Risk Management: the processes used by the organisation to identify, assess and manage climate-related risks.

Metrics and Targets: the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The TCFD differentiates climate impacts as:

- **Transition** risks and opportunities associated with the shift to a lower-carbon economy. These may be driven by market, technology, policy and society changes.
- **Physical** risks to assets, operations and supply chains arising from changes in the physical climate. These may include acute risks, such as intense weather events, or chronic risks arising from longer-term shifts such as changes in sea levels.

Risk management

Our Enterprise Risk Management (ERM) Framework and related risk management policies and procedures used to identify, assess, monitor and manage risk are discussed in our *Operating and Financial Review (OFR)* (refer to pages 24-30). Under this Framework we maintain a Strategic Risk Register to capture risks that can affect the achievement of the Group's strategy and goals.

We maintain a Climate Risk Register supplementary to the Strategic Risk Register, which captures the transitional and physical climate change risks (and opportunities) identified for monitoring over the short, medium and longer term.

Climate risks that meet the definition of a strategic risk, that is, are assessed as having the capability of affecting the achievement of the Group's strategy and goals, are also captured in the Strategic Risk Register. Risks in our Strategic Risk Register in 2021 that have a climate-related driver (although not necessarily exclusively) include:

- Decline in demand for our traditional products due changes in government policies, shifts in consumer preferences, and changes in technologies.
- Policy and regulatory change, including climate change and sustainability policy, that significantly impacts our current mode of operation.

We identify and monitor our strategic risks through a biannual process of consultation across our business, validation with the Group's Executive Leadership Team, and reporting to the Board Audit and Risk Committee. As part of this process, the Climate Risk Register is reviewed for any material changes to climate risk ratings, including whether elevation of any climate risks to the Strategic Risk Register is warranted.

Scenario analysis

We undertook climate scenario analysis in 2020 to better understand potential climate transition pathways and the climate-related risks and opportunities our business could be exposed to. We developed three climate scenarios representing distinct levels of global climate mitigation, designed to stress-test the resilience of our business strategy under a range of plausible future states: Limited Mitigation; Disorganised Mitigation; and Aggressive Mitigation.

In 2021, we updated our Aggressive Mitigation scenario from a <2°C scenario to a 1.5°C scenario reflecting the International Energy Agency (IEA) Net Zero Emisions by 2050 (NZE[3]) transition scenario. This scenario is aligned with a Net Zero by 2050 goal, consistent with that recently adopted by the Federal Government and our own emissions reduction commitments. It is also oriented towards limiting global warming to 1.5°C, which is an objective of the Paris Agreement.

3. https://www.iea.org/reports/net-zero-by-2050.

The key characteristics of the climate scenarios adopted, including the updated Aggressive Mitigation scenario, are summarised in the table below.

Viva Energy TCFD climate scenario	Global warming state	IPCC physical scenarios[1]	IEA transition scenarios[2]	Description
Limited Mitigation	> 4°C	RCP8.5	Not applicable as transition impacts not considered significant in this scenario	• 'Business as usual' approach to climate change with continued growth in GHG emissions. • Limited government intervention and industry-led initiatives. • UN Agreement Nationally Determined Contributions (NDCs) not achieved. • Significant physical risks, and much less prominent transition impacts.
Disorganised Mitigation	~ 3°C	RCP6 RCP4.5	Stated Policies	• Gradual approach to reducing GHG emissions in the long term driven by technology with some support by policy. • Limited government intervention, with technocratic-driven leadership from business. • NDCs achieved. • Transition and physical impacts both prominent.
Aggressive Mitigation	1.5°C	RCP2.6	Net Zero by 2050	• Progressive government policy that sets a pathway for a rapid and orderly transition. • Quicker response sees GHG emissions begin to reduce in the near term as governments and their communities embrace the vision of a decarbonised future. • NDCs exceeded. • Significant transition impacts, and some but far less prominent physical impacts.

1. IPCC (2014): Fifth Assessment Report of the Intergovernmental Panel on Climate Change, http://www.ipcc.ch/reports/assessment-report/ar5.
2. IEA (2021): World Energy Outlook 2021, IEA, Paris, http://www.iea.org/reports/world-energy-outlook-2021.

We retained the time horizons used in the prior year assessment:

- **Short-term (2023)**: reflecting near-term policy and technology certainty, and aligned with our business operational planning cycle
- **Medium-term (2030)**: aligned with our strategic planning timeframe
- **Long-term (2050)**: consistent with market practice and aligned with the Australian Government's and our own net zero emissions target timeframes.

The risks (and opportunities) in our Climate Risk Register were reviewed and updated in 2021, including applying the refreshed Aggressive Mitigation scenario. Risk and opportunity prioritisation was based on the consequence and likelihood criteria defined in our ERM Framework.

The potentially significant climate-related risks and opportunities identified through this process, as well as the key strategies and mitigations we are implementing in response, are summarised in the *Operating and Financial Review (OFR)* Strategic Risk section, page 28, described on the following page, and expanded on in the *Climate risk and opportunity table* in our *Sustainability Data Supplement 2021* at vivaenergy.com.au/sustainability.

Scenario analysis application

Scenario analysis can be useful to explore possible futures for the economy and our sector. It is important to note that the scenario outputs are not forecasts of our business, nor are they intended to represent a comprehensive description of the future. Rather they are designed to help understand the potential impacts of climate change across various future horizons.

All reasonable care has been taken in our risk and opportunity assessment. However, the consideration of industry, market, societal and governmental changes over any length of time, particularly in the longer term, necessarily involves a high degree of uncertainty and the application of broad assumptions. Many of these assumptions are informed by the work and content of the underpinning scenarios, which are typically compiled on global or regional bases, whereas our business depends on many local Australian factors.

Climate risks and opportunities

Transitional risks and opportunities

The key transitional climate risks we foresee relate to reduced demand for our traditional hydrocarbon fuels driven by preference shifts in our Retail business and market pressures in our Commercial customer segments. Government regulation and technological advancements will also play a role in terms of how quickly the transition occurs. These risks are not considered to be significant in the short term, but in the longer term we anticipate potential for increased impacts in the Aggressive Mitigation and Disorderly Mitigation scenarios where climate mitigation pressures are more pronounced. We expect the scale and pace of substitution to vary significantly across our traditional product categories and the market sectors we supply, which provides some inherent resilience phasing.

Other transitional risks we envisage include the potential for increased operating costs arising from regulatory responses to reduce carbon emissions. There are also potential reputational and legal risks arising from stakeholder expectations and actions – including from investors, lenders, community groups and the labour market.

We actively monitor consumer trends, government policy developments and technology advancements. We maintain fuel demand forecasting and factor these elements into our strategic business planning.

Our corporate strategy recognises we are at the beginning of a long-term energy transition, which will impact demand for our traditional products. It positions us to be an active participant in the low-carbon energy transition, particularly energy for transport, with net zero ambitions. We see opportunities in the energy transition to diversify our business revenue streams to non-fuel and new energies in the medium to long term. While this energy transition will present new opportunities for investment and encourage new products and services which will drive future growth, hydrocarbon derived fuels will also continue to be an important part of the energy mix and Australia's energy security through the transition. These opportunities are described in the following section.

We actively engage with external stakeholders and our employees on our Energy Transition Strategy and progress, including through the application of the TCFD disclosure recommendations.

Shadow carbon pricing

In 2021 we implemented shadow carbon pricing into the Group's investment evaluation and capital allocation process. This provides Management and the Board with an indication of how investments may be impacted by future climate policy changes, and guides investment decision-making.

The shadow carbon prices adopted are a low-case 'current day' price, and a high-case price representative of a medium-term 'Aggressive Mitigation' scenario.

Physical risks

Physical climate risks were identified as having potential to arise in the Limited Mitigation scenario and, to a lesser extent, in the longer term in the Disorderly Mitigation scenario. The Limited Mitigation scenario reflects a lower level of climate change mitigation, with resultant more frequent and severe weather event impacts on assets and facilities.

In our Retail business, risks are considered unlikely to be significant given the scale and geographic spread of our service station network. In our supply chain and refining operations, the risks predominantly relate to supply disruptions, asset damage and increased costs in mitigating or responding to weather events. We operate substantial asset management and maintenance programs, and have site-level Emergency Response Management Plans and Group-level Business Continuity Plans to mitigate these generally localised impacts. We anticipate these will adapt over time if these risks eventuate.

We conduct detailed climate risk assessments on major new projects to factor any required mitigations into project design and operational procedures. An example of this in 2021 was the detailed physical climate risk assessment applying various climate scenarios undertaken during the proposed Gas Terminal Project design process, to help mitigate future physical climate risk impacts.

Sustainability report continued

Our strategy for climate change and the energy transition

Viva Energy has two important roles to play in supporting Australia's transition to a lower-carbon economy – maintaining energy security and actively participating in the energy transition.

Our corporate strategy outlined in the *Operating and Financial Review (OFR)* on page 14 is focused on the diversification and sustainability of each of our traditional key businesses – Retail, Commercial and Refining – which will provide ongoing energy security through the transition. It also includes our Energy Transition Strategy with three complementary and overlapping strategic focus areas:

- New Energies – pursuing development and investment opportunities in new and transitional energy products and services for the market that will help decarbonise our economy in the longer term
- Carbon Solutions – collaborating with our Commercial customers, and providing lower-carbon products and solutions, to help them reduce their emissions profile
- Operational Emissions – reducing our own emissions to achieve our net zero by 2050 Group commitment, and by 2030 for our non-refining businesses.

Our progress in these three strategic focus areas is outlined in the following sections.

New energies

We are focused on opportunities in several new and transitional energies aligned with our core strategic capabilities, as summarised below. These energies, and the technologies that underpin them, are at varying stages of adoption and commercialisation. We see these technologies as having the best pathway to providing the market and our customers with the viable low-carbon solutions required in the medium to long term.

Our portfolio of new and transitional technologies and solutions form a wide range of opportunities, will have variable growth pathways, and require a range of operational capabilities to support their development. Our focus is to leverage our existing capabilities and infrastructure, remain disciplined in our investments, and to continue to be a trusted partner to our customers to deliver these products and solutions during the energy transition.

Battery Electric Vehicles

Electric mobility is an evolving technology well suited to light vehicles, and is a market which we expect to grow over the current decade and continue to mature through the 2030s.

We see potential to leverage our Retail network scale and coverage, and our brands, loyalty programs and commercial relationships to provide the best electric vehicle charging solution to customers, including our fleet and corporate customers as they look to transition.

Emerging opportunities in line with our core strategic capabilities

Strategic Capability	Battery Electric Vehicles (BEV)	Hydrogen Fuel Cell Electric Vehicles (HFCEV)	Bio and Waste Energies	Carbon Offsets
Retail (on-road)	• Fast charging • Superior customer experience • Convenience offer	• Truckstop network • Onsite H_2 production • Satellite H_2 distribution • Light Commercial	• E10	• Carbon offset fuels
Commercial (fleet and equipment)	• Charging-as-a-service • People and goods – mover segments	• Home base production • Home base refuelling • Fleet leasing	• Biodiesel • Sustainable aviation fuel	• Carbon offset fuels • Carbon solutions
Energy (production and supply)	• Energy systems model for least-cost electricity input	• H_2 production	• Refining feedstock • Landfill biomethane offtake	
2021 progress	• 3 trial sites installed and insights gathered	• H_2 refuelling design and feasibility – with New Energies Service Station announcement in 2022	• Bio blending capability and Waga Energy partnership	• Carbon neutral certified products – Jet A-1

We are installing electric vehicle charging infrastructure on selected service stations in partnership with Evie Networks. In 2021 we completed three ultra-fast 350 kW charging installations with our partner at Brighton (Tasmania), Coomera (Queensland) and Taylors Lakes (Victoria). We will continue to gather insights as we complete three installations in 2022, and will evolve our electric mobility strategy as the market continues to grow.

Hydrogen Fuel Cell Electric Vehicles

Hydrogen Fuel Cell Electric Vehicles (HFCEV) is a nascent yet emerging market with strong long-term growth potential, particularly in the heavy vehicle segment. Our approach is to be an early mover, leveraging our supply chain capability and infrastructure footprint, and bringing together our customers, vehicle manufacturers and governments to help establish this market.

Our starting point, to build experience in hydrogen mobility across both ourselves and our vehicle operators, is to focus on back-to-base refuelling through the New Energies Service Station we are proposing to construct and operate as part of our Geelong Energy Hub. With this project, Viva Energy has brought together commercial fleet operators, government and vehicle manufacturers to develop a commercially viable, hydrogen-focused service station that will support the transition to a zero-emissions energy solution in the large and growing commercial transport sector.

At least 15 hydrogen-powered heavy vehicles are expected to be deployed within the first two years of operations, with significant scope to expand further as the commercial opportunity is proven. The first seven vehicles will be purchased and deployed by our partners with operations in Geelong, including Toll Group, Cleanaway, ComfortdelGro Corporate Australia (CDC) and Barwon Water. Some of the vehicles will be delivered by Hyzon Motors out of Europe and Australia and CDC's two buses will be manufactured and delivered by Australian-based manufacturer, Aluminium Revolutionary Chassis Company (ARCC). Viva Energy is in discussions with several other potential customers and hydrogen vehicle manufacturers, and expects to see growing demand over time as FCEV become more prevalent in the market.

This will be Australia's first publicly accessible service station that offers commercial scale, hydrogen refuelling for heavy HFCEVs. It will have the capability to produce and dispense green hydrogen in commercial quantities and provide a zero-emission solution for the commercial road transport sector, alongside electric recharging facilities. An onsite 2MW electrolyser will generate green hydrogen by using renewable electricity and recycled water received from Barwon Water's Northern Water Plant.

Subject to regulatory approvals, the New Energy Service Station is expected to commence operations in late 2023. We are also looking ahead at opportunities on major freight routes such as Melbourne-Sydney-Brisbane.

Further information on our New Energies Service Station is provided in the Geelong Energy Hub update (see page 58) and at: vivaenergy.com.au/energy-hub/new-energies-service-station-project

Bioenergy and waste recycling

Bio- and waste-derived energies offer the advantage of providing substitute fuels into existing distribution infrastructure and customer equipment, with minimal impact to existing operations or fleet. The barriers to uptake for these fuels continue to be commercial competitiveness challenges and feedstock availability constraints.

Our strategy for biofuels and waste involves leveraging our refining processing capability and supply chain expertise, and to partner with others to reduce product carbon intensity and participate in the circular economy. Opportunities we are actively pursuing include:

Biomethane – a renewable and cost-competitive natural gas substitute to reduce carbon emissions for heavy industrial gas users. In 2021 we signed a partnership agreement with Waga Energy to be the first to bring their landfill gas processing technology to Australia and access biomethane produced (see case study on page 50).

Plastics recycling – innovative plastic waste recycling technologies have potential for circular economy solutions and will require processing capability similar to that at our refinery. In 2021 we worked with a consortium of companies, including LyondellBasell and Licella, to convert synthetic oil derived from recycled plastic feedstock to propylene, which was then used in the production of plastic KitKat wrappers (see case study on page 65).

Biofuels – we continue to blend up to 10% ethanol with ULP91 to make E10 and distribute this across our Retail service station network in NSW (87% of sites) and Queensland (69% of sites), with an additional seven sites converted to offering E10 in 2021. In 2021 we recommissioned biodiesel supply infrastructure in Victoria and Queensland and continue to work with our customers and suppliers to enable the supply of biodiesel or renewable diesel into the Australian market.

Case study: Investing in renewable gas

In 2021, Viva Energy signed a partnership agreement with Waga Energy, the European leader in renewable natural gas recovery from landfill waste. The four-year agreement provides us with first right of refusal to offtake biomethane produced by Waga Energy in Australia. We see growing demand for renewable natural gas from customers looking to reduce their carbon footprint.

Waga Energy has developed proprietary, patented technology for the recovery and purification of gas released from landfill sites in units known as WAGABOX. The average WAGABOX unit offers a maximum installed capacity of 225 GWh/year, enough to power 35,000 homes and avoid 45,000 tonnes CO_2-e per year.

"This is another step in developing lower-carbon products, as we begin the transition to more sustainable energy sources," says Lachlan Pfeiffer, Viva Energy's Chief Business Development and Sustainability Officer. "We are keen to develop products that will support our customers' emissions reduction ambitions, and we think biomethane can play an important role for customers with natural gas demand and usage."

Waga Energy's technology addresses the carbon challenge in two ways. The WAGABOX units capture the gas emitted from landfill sites, which is a major source of greenhouse gas emissions. It also produces a renewable substitute for fossil-based natural gas, so it reduces the carbon footprint of consumers.

Australia generates about 76 million tonnes of waste every year, with about 27% ending up in landfill which then generates and releases methane. The Waga Energy solution to this challenge is proven, simple, efficient and economically viable.

Carbon Solutions

For many of our customers, use of our products is a significant part of their Scope 1 emissions. We aim to support them to reduce their emissions as their trusted energy supplier.

We launched our Carbon Solutions customer offering in 2021, providing carbon neutral and low-carbon products to enable our customers to achieve their carbon emission reduction objectives. We also continue to support our customers to identify efficiencies and optimise fuel use and requirements through our dedicated team of technical experts.

Our first accredited carbon neutral product, Carbon Neutral Jet A-1 Fuel, was launched in early 2021. We are in the process of gaining certification for our remaining product portfolio (diesel, marine fuels, unleaded petrol, bitumen and chemicals) and we expect to launch our expanded suite of carbon neutral products in 2022.

A growing number of Shell lubricants products are already carbon neutral certified and available to our customer base across Australia[4].

Throughout 2021 we engaged and collaborated with our major customers to understand their carbon emission targets and objectives to support development of our carbon neutral and integrated biofuel (low-carbon) product solutions.

CARBON SOLUTIONS

Carbon neutral certification

Viva Energy has chosen to certify its carbon neutral products under the Australian Government's Climate Active scheme. The Climate Active carbon neutral certification is one of the most rigorous in the world and ensures that the underlying carbon inventory has been through a due diligence process which includes a full Life Cycle Analysis (LCA), third party audit, annual inventory reviews and the Climate Active certification review.

Climate Active also stipulates the carbon offset markets that participants can purchase their offsets from, ensuring that only quality offsets are eligible for use under the scheme. Our Carbon Solutions offer is an end-to-end offsetting service with the purchase and retirement of offsets on behalf of the customer.

Climate Active Carbon Neutral PRODUCT

Case study: Carbon Neutral Jet A-1 Fuel

Our Carbon Neutral Jet A-1 Fuel has been certified by Climate Active as carbon neutral through the purchase of carbon credits. These credits offset the emissions of the product's lifecycle carbon footprint, from resource exploration through to extraction, transportation, processing, storage, delivery, and the eventual combustion of the jet fuel during flights. This assists our customers to achieve their sustainability objectives and provides passengers with a sustainable alternative when flying.

In July 2021, in partnership with Alliance Airlines, we delivered our first carbon neutral flight for fly-in fly-out workers on a 90-minute trip from Cairns Airport.

Our Carbon Neutral Jet A-1 Fuel is available throughout our aviation network. We offer the flexibility to procure carbon offsets at different portfolio mix ratios from a wide range of Australian and international projects.

For more information, including our Climate Active certification see vivaenergy.com.au/business/aviation/aviation-fuels

Fleet Savings and Carbon Footprint Calculator

In 2021 we supported the rollout of the Fleet Savings and Carbon Footprint Calculator.

Developed by Shell, this tool can be used by transport and fleet customers to create annualised potential savings for oil, fuel, maintenance costs and emissions across their fleet. The tool includes visualisations which highlight the benefits of upgrading to a lubricant that could also help improve fleet efficiency and sustainability. For more see shell.com.au/savingscalculator.

4. shell.com/business-customers/lubricants-for-business/delivering-carbon-neutral-solutions-to-our-customers.html.

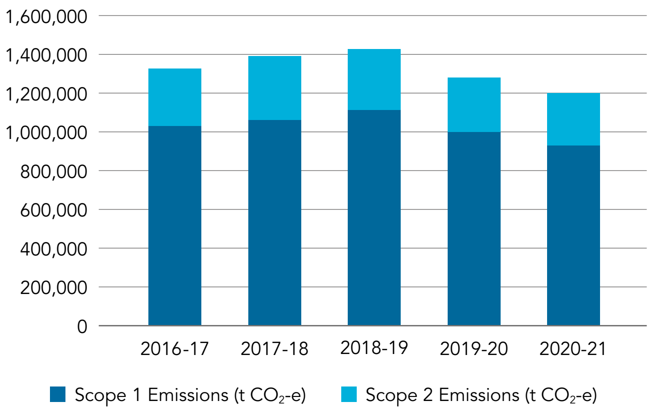
Operational emissions

Greenhouse gas emissions and energy

We annually report our greenhouse gas (GHG) emissions and energy performance under the Australian Government's National Greenhouse and Energy Reporting (NGER) Scheme, including:

- Scope 1 (direct) emissions arising from our operations such as from fuel combustion, fugitive emissions and other minor emission sources
- Scope 2 (indirect) emissions associated with the generation of electricity we purchase for our operations
- Energy consumption and production.

Viva Energy Group operational greenhouse gas emissions



Our reported emissions include those from the facilities and activities of all Viva Energy Group subsidiaries and contractors within our operational control, for the 12 months ending 30 June.

For the 2020-21 NGER reporting period we reported Scope 1 emissions of **932,077 tonnes CO_2-e** and Scope 2 emissions of **269,648 tonnes CO_2-e**. Geelong Refinery accounts for 96% of our total operational GHG emissions. Our overall Group operational GHG emissions in 2020-21 were 6.3% lower than 2019-20.

Our Scope 1 and Scope 2 emissions data are published each year on the Clean Energy Regulator (CER) website at cleanenergyregulator.gov.au

Refining

For the Geelong Refinery, we reported a decrease in Scope 1 and 2 emissions from **1,231,657 tonnes CO_2-e** in 2019-20 to **1,147,915 tonnes CO_2-e** in 2020-21. This is largely attributed to significantly lower coke combustion emissions associated with the Residue Catalytic Cracking Unit (RCCU). This unit was shut down for an extended duration during the reporting period while the refinery operated in hydro-skimming mode due to COVID-19 impacted market conditions and while unit maintenance was undertaken[5].

An emissions intensity (EI) metric, operational (Scope 1 and 2) emissions per energy content of high value products, has been adopted for the refinery to smooth out production variability effects due to market conditions and maintenance cycles. The refinery EI was **5.03 tonnes CO_2-e / TJ** for 2020-21.

Geelong Refinery emission intensity (tCO_2-e/TJ)

2018-19	5.13
2019-20	5.07
2020-21	**5.03**

Geelong Refinery's energy efficiency improved in 2021 as process unit utilisation improved and the facility resumed typical operations as market conditions recovered. The energy intensity[6] (EII) improved from **123.9** in 2020 to **118.1** in 2021.

A major steam leak identification and repair program resulted in an estimated 0.5 EII improvement. The feasibility of energy efficiency projects identified in the refinery Energy Masterplan continued to be evaluated, with focus shifting to energy projects and design efficiency opportunities with potential for execution as part of the planned Ultra-Low Sulphur Gasoline upgrade.

In 2021 the refinery commenced implementation of an Energy Management System (EnMS), with the assistance of a Victorian Government Business Recovery Energy Efficiency Fund (BREEF) grant. The EnMS will establish an ongoing process of identifying, planning and implementing energy efficiency improvements to assist in delivering the facility's Energy Masterplan objectives. Following the completion of a gap assessment in 2021, we plan to operationalise the EnMS in 2022, including seeking independent certification against the ISO 50001:2018 standard.

Non-refining

For our non-refining operations[7], we reported an increase in our Scope 1 and 2 emissions from **50,940 tonnes CO_2-e** in 2019-20 to **53,810 tonnes CO_2-e** in 2020-21. Emissions reductions were achieved following the successful implementation of a bitumen furnace optimisation project at our Pinkenba Terminal, and with reduced demand for marine fuel oil (which requires heating) at the Gore Bay Terminal. These reductions were offset by the inclusion of emissions from the Liberty Oil fuel distribution business which, for the first time was under the Group's operational control for the entire reporting period.

5. Refinery emissions and emissions intensity figures are aligned with the NGER reporting period 1 July – 30 June. The RCCU shut-down impact on emissions performance is relevant for the first half of the NGER reporting period, i.e. occurred in the second half of 2020.
6. Using the Solomon Associates global refinery benchmarking Energy Intensity Index (EII) methodology for the 2021 calendar year reporting period, noting this is different period to the NGER emissions reporting period.
7. Non-refining includes Retail, Fuels and Marketing, and Supply and Distribution, including Liberty Oil Holdings.

Following the installation of sub-metering at our two fuel terminals in Sydney (Clyde and Gore Bay), our onsite operators identified and implemented changes to pump operations transferring fuel through the Mascot Airport pipeline. This initiative is estimated to deliver over 120 MWh of electricity savings annually.

In 2021, grant co-funding was secured as part of the Victorian Government's BREEF program to implement energy efficiency projects at our Newport Terminal, including upgrading road gantry lighting, installing sub-metering, and upgrading air-conditioning systems. All projects are planned to be completed in 2022.

Emissions reduction commitments

In late 2021 we announced our ambition to achieve net zero operational (Scope 1 and 2) emissions by 2050. We also committed to medium-term (2030) emissions reduction targets for our operational emissions from a 2019 base year, including:

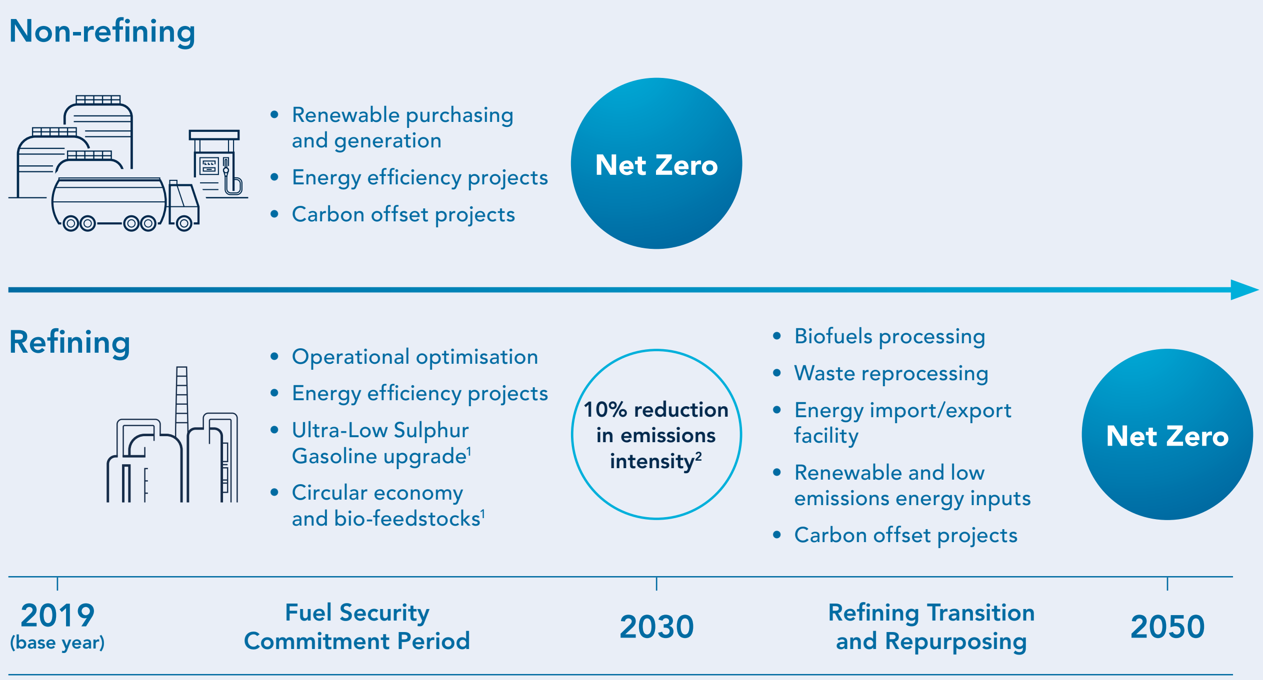
- net zero for our non-refining operations[8]
- 10% reduction in emissions intensity at the Geelong Refinery.

For our non-refining operations, we see a clear pathway to net zero through a combination of: energy efficiency projects and optimisation; renewable electricity projects and/or purchasing; offsets for residual emissions sourced from certified and credible schemes.

Geelong Refinery is recognised as an emissions-intensive, trade-exposed facility. As part of the Australian Government's Fuel Security Package, we have committed to continue refining until at least mid-2028, with possible extension to mid-2030. During this period, we will be co-investing in upgrades to produce Ultra-Low Sulphur Gasoline (ULSG) to meet new fuel specification requirements. This will have local air quality and vehicle emissions benefits, but will require additional energy for de-sulphurisation processing, with an anticipated increase in the emissions intensity of the refinery.

To help off-set this projected increase in emissions intensity, we are assessing the feasibility of various energy projects which have potential to be implemented as part of the ULSG project. We continue to assess the feasibility of refinery Energy Masterplan projects and operational optimisation initiatives more widely to achieve the overall 10% reduction in emissions intensity targeted for 2030.

Beyond 2030, we expect the refinery's role in the energy market to evolve. There is potential to leverage its processing capability to produce lower-carbon intensity fuels, and participate in the circular economy, through the processing of waste and bio-feedstocks. In the meantime, we are diversifying this strategic asset through various Energy Hub projects under development.



1. These projects may increase refinery emissions intensity, but have broader emissions and environmental net benefits.
2. Scope 1 & 2 emissions per Energy Content of Products (tCO_2-e/TJ).

8. Non-refining includes Retail, Fuels and Marketing, and Supply and Distribution, including Liberty Oil Holdings.

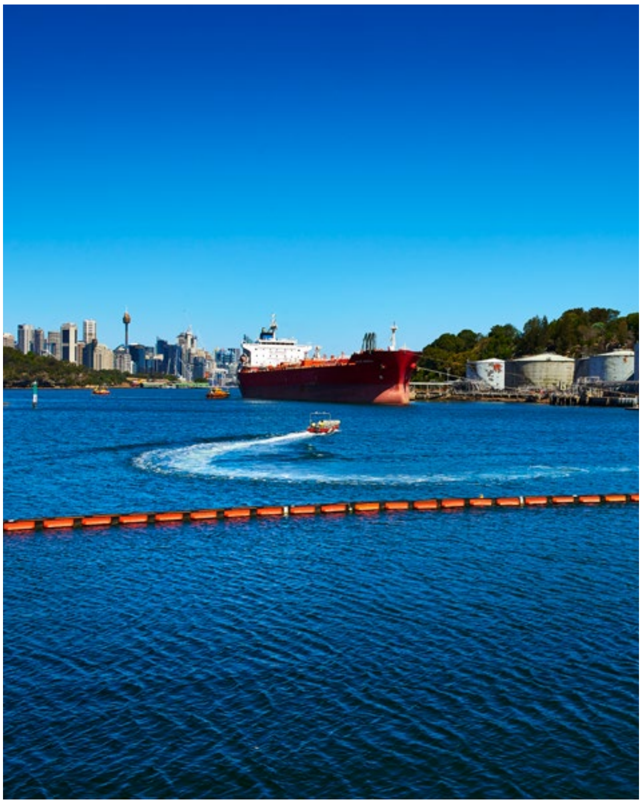
Target setting approach

Our GHG emissions reduction commitments have been established with reference to the *GHG Protocol*[9] and *Guidance on Setting Science-based Targets*[10]. The organisational boundaries, GHG types and emissions scopes are consistent with those applied in Viva Energy's reported inventory under the Australian Government's NGER Scheme.

A 2019 base year (1 July 2018 – 30 June 2019 reporting period) has been selected as a reference point for tracking progress towards our emissions commitments. It is the most recent period of standard operation – unaffected by the COVID-19 pandemic and free of major refinery maintenance turnaround events.

We will review progress against our emissions reduction commitments annually and commit to transparent reporting as part of our annual sustainability disclosures. We also commit to reviewing the basis and the level of ambition of our targets every five years as a minimum, with the next review due following the 2024 reporting period.

As is industry practice, we retain the flexibility to recalculate our base year emissions where significant changes occur, which materially alter the emissions profile of the Group or an activity or facility under its operational control. Adjustment could be triggered by changes to corporate structure, estimation methodologies, and government regulation or mandates, or the discovery of material miscalculation. We will apply a materiality threshold for base year emissions adjustment of 5% of the relevant medium-term (2030) emissions target.



Scope 3 emissions

In 2021, we completed our first Scope 3 emissions inventory assessment, which focused on our material emission sources for the period 1 July 2020 – 30 June 2021.

Scope 3 emissions are indirect GHGs emitted as a consequence of the Group operations, but where the sources are owned or controlled by other organisations in our value chain. The estimate was prepared referencing the *GHG Protocol*[11] and *IPIECA*[12] methodology where appropriate, and accounting for emissions related to the upstream extraction, processing and transport of process inputs, and the downstream distribution and combustion of sold products.

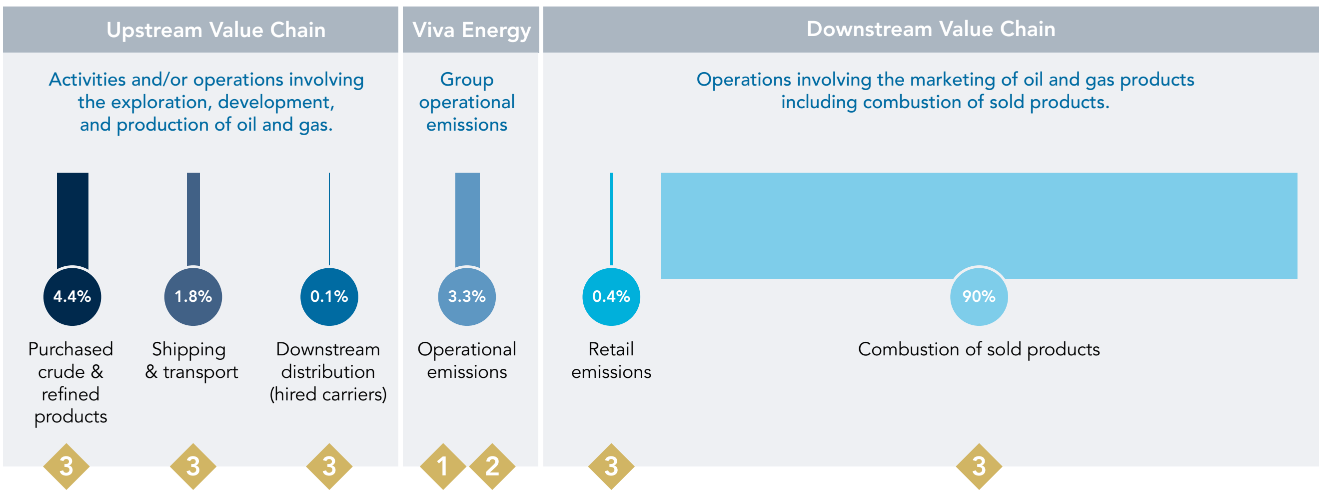
'Use of Sold Products' (GHG Protocol category 11) is the most significant Scope 3 emissions source for Viva Energy, with 'Purchased Goods and Services' (category 1) and 'Upstream Transportation and Distribution' (category 4) identified as the next most significant emission sources.

The emissions estimates for our material Scope 3 emissions categories are summarised on the following page.

9. The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, World Resources Institute and World Business Council for Sustainable Development (2004).
10. Guidance on Setting Science-based Targets for Oil, Gas and Integrated Energy Companies, Science Based Targets Initiative (Consultation Version August 2020). sciencebasedtargets.org/sectors/oil-and-gas.
11. GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, World Resources Institute and World Business Council for Sustainable Development (2011).
12. IPIECA Estimating petroleum industry value chain (Scope 3) greenhouse gas emissions guidelines (2016).

Scope 3 category		Inclusion/exclusion in assessment	tCO_2-e
Upstream			
1	**Purchased goods & services** – Emissions associated with the extraction, production of International and local crude, condensates and refined products	Assessed and quantified	1,606,578
2	Capital goods & services	Not assessed for quantification as not considered material	
3	Fuel and energy-related activities: Extraction, production and transportation	Not assessed for quantification as not considered material	
4	**Upstream transportation and distribution** – Emissions for transport from international and domestic imports	Assessed and quantified	670,554
5	Waste generated in operations	Not assessed for quantification as not considered material	
6	Business travel – Emissions of transportation carriers that occur during the transportation of employees for business-related activities	Not assessed for quantification as not considered material	
7	Employee commuting	Not assessed for quantification as not considered material	
8	Upstream leased assets	Not relevant to Viva Energy	
9	**Downstream distribution**	Assessed and partially quantified (hired carrier road transport only)	44,362
Downstream			
10	Processing of sold products	Not assessed for quantification, non-fuel products only	
11	**Combustion of sold products** – Emissions from reported sales volumes	Assessed and quantified	33,101,131
12	End of life treatment of sold products	Not relevant to Viva Energy	
13	Downstream leased assets	Not relevant to Viva Energy	
14	**Franchises** – Emissions from Retail service stations supplied but not under operational control	Assessed and quantified	149,867
15	Investments	Not relevant to Viva Energy	

Breakdown of Total Scope 1, 2 & 3 GHG emissions



	2020-21	tCO_2-e	% of total tCO_2-e
3	Total Scope 3	35,572,492	96.7%
1 2	Total Scope 1 & 2	1,201,725	3.3%
1 2 3	Total Scope 1, 2 & 3	36,774,217	

Climate Leaders Coalition update

The Australian Climate Leaders Coalition (CLC) is a group of cross-sectoral corporate CEOs supporting the Paris Agreement commitments and setting public decarbonisation targets. Established in August 2020 by The B Team Australasia, its focus is on collaboration and joint problem solving across decarbonisation challenges, with the aim to support Australia's low-carbon future and ensure long-term economic sustainability.

As a founding member, Viva Energy supports the commitments made and actively participated in workshops and engagement throughout 2021. In October 2021, a Roadmap to 2030 was released by the CLC, which included the vision and approaches adopted by CLC members to decarbonise and transition as part of a net zero and prosperous Australia. The roadmap was published to share learnings and to encourage other businesses across the economy to accelerate their decarbonisation journey.

For further information visit climateleaders.org.au.

"Reducing emissions cannot be achieved by one country or one company alone – it will require collective action. As an energy company we have an important role to play in reducing our own emissions, but also in supporting and encouraging our suppliers and customers to take their own action.

I am personally committed to play our part in leading this critical energy transition."

Scott Wyatt
Chief Executive Officer

Just Transition statement

The concept of Just Transition is acknowledged in the Paris Agreement. It recognises that governments, industry and workers need to collaborate on measures to minimise the socio-economic impacts of transitioning regional workforces and their communities reliant on emissions-intensive industries as economies shift to lower-carbon intensity.

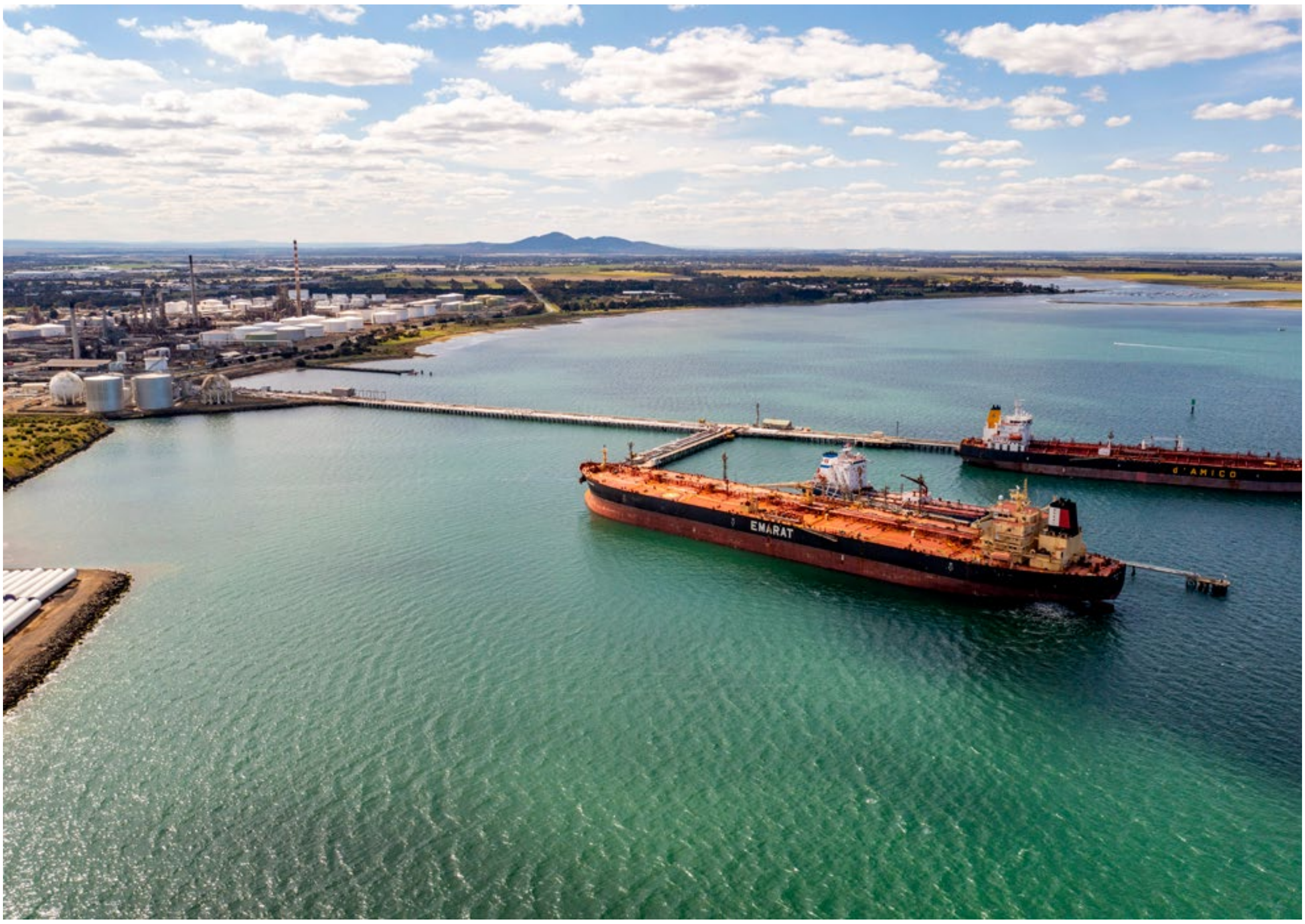
Geelong Refinery is our largest facility in terms of employment and regional contribution. While the Geelong region is no longer heavily reliant on emissions-intensive industry, we remain cognisant of the key role our refinery plays in the Geelong community – employing a sizeable workforce, engaging local businesses and supporting local community partners.

We are engaging with a broad range of external stakeholders including governments, employees and employee representative bodies, local communities, customers, suppliers and educational institutions to inform our energy transition plans.

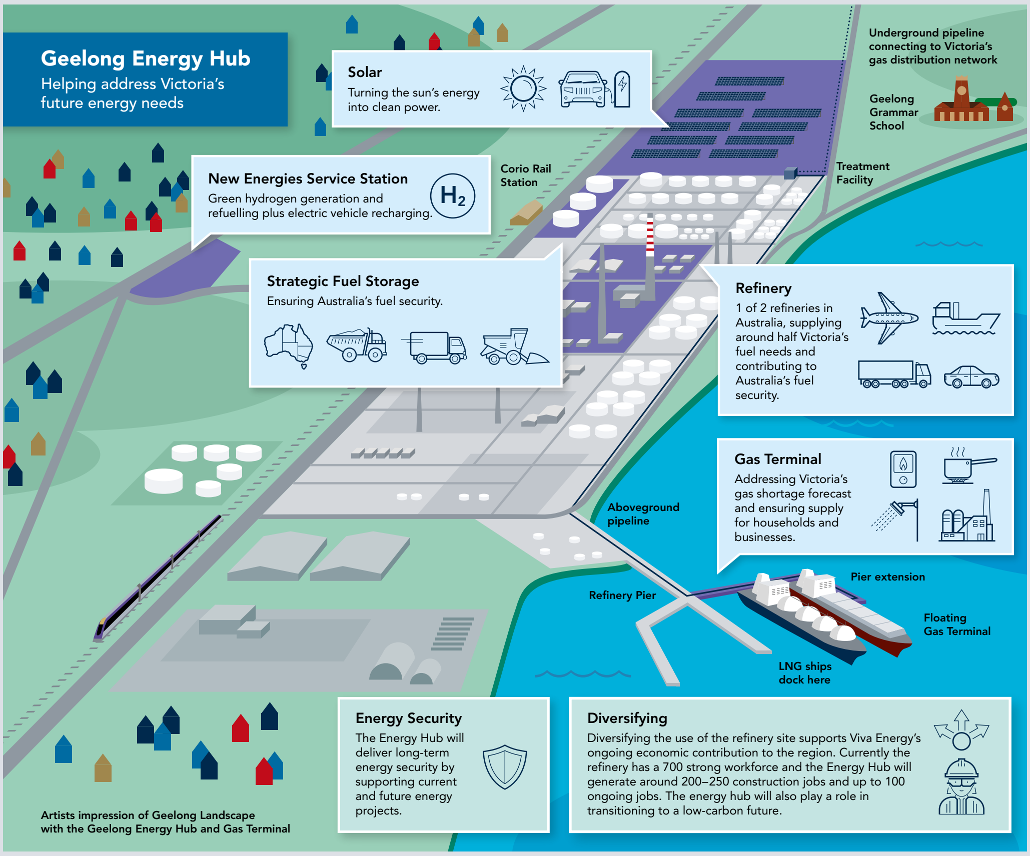
Key to our plans is our vision to transform the Geelong Refinery into a future Energy Hub, with several initiatives already progressing on this front (see page 58). This initiative will help transition our business and the communities that we support towards a low-carbon future, and provide our workforce with opportunities to develop new and adjacent skills to support this.

We worked closely with the Federal Government in 2021 to implement the Fuel Security Package (FSP), which secures the refining industry in Australia, including our Geelong Refinery, through the remainder of this decade. This gives us confidence to invest in Energy Hub initiatives to transform our refinery and enable it to thrive into the low-carbon future.

We are also looking into opportunities to diversify and repurpose other strategic assets and infrastructure around Australia. We will continue to engage with governments, our workforce and local communities on our plans.



Geelong Energy Hub update



Artists impression of Geelong Landscape with the Geelong Energy Hub and Gas Terminal

Geelong Energy Hub

As one of the largest energy providers in Australia, Viva Energy is excited about the evolving energy future. Our Geelong site is crucial to our current energy needs and also the energies we will need for the future. Our vision is for the site to manufacture and deliver traditional fuels, as well as offering transitional and alternative energies, playing an important role in providing energy security now and into the future.

The Geelong Energy Hub, located at the refinery site, will comprise of a suite of projects to support the evolving energy needs of Victoria and south-east Australia. As well as existing refinery operations, the Geelong Energy Hub would include a gas terminal, a solar farm, hydrogen generation and refuelling, strategic tank storage, bio-processing and waste recycling.

Our Geelong site is an ideal location to be an energy gateway as it is an existing industrial facility with access to the Port of Geelong and major population centres. In addition, Viva Energy is a safe and experienced operator, caring for its people, the environment and local communities where we operate.

Geelong Refinery

Our refinery has been part of the local landscape since 1954 and we are proud that it remains a key driver of Victoria's economy, supplying more than half of the state's fuel needs. One of only two refineries remaining in Australia, it plays an important role in the nation's fuel security and provides hundreds of high-skilled manufacturing jobs.

The refinery can process up to 120,000 barrels of oil per day, manufacturing petrol, diesel, LPG, jet fuel, avgas, bitumen, specialty solvents for a wide range of industries, and Low Aromatic Fuel to support the Federal Government's petrol-sniffing prevention program.

Learn more about the Geelong Energy Hub at vivaenergy.com.au/energy-hub

Gas Terminal

Gas is an integral part of the current and future energy mix. The proposed Gas Terminal would provide an efficient and flexible option to meet the projected gas shortage in south-east Australia. The facility would include a Floating Gas Terminal, an extension to Refinery Pier, a Treatment Facility and a new 7km pipeline.

Having the Gas Terminal adjacent to the Geelong Refinery would leverage our capability as an existing Major Hazard Facility (MHF) operator and offer potential synergies between the two operations, including the reuse of seawater from the Gas Terminal into the refinery.

Hydrogen and New Energies Service Station

Green hydrogen is a zero emissions fuel and energy source, and in transport, a technology solution where Battery Electric Vehicles are not suited. With our infrastructure background, we have brought together vehicle operators and government to develop Australia's most ambitious hydrogen mobility project. It includes Australia's first heavy vehicle focused, publicly accessible hydrogen refuelling station that will refuel hydrogen vehicles, and be available to any transport operator. We have branded this our New Energies Service Station (NESS).

Solar

A solar farm will be developed on the land at the northern end of the refinery site. The solar farm will generate between 12-20 megawatts of green renewable energy and meet up to 10% of the refinery's electricity needs. The solar farm will utilise latest technology trackers to follow the path of the sun during the day and maximise the solar farm efficiency.

Whilst the electricity generated by the solar farm will primarily service the refinery's power needs, the electricity can be exported to the grid supplying the local area with renewable energy and further decarbonising the Victorian power network.

Strategic Tank Storage

Viva Energy is proposing to build additional diesel storage within the grounds of Geelong Refinery, which will play an important role in improving our nation's fuel security. This project is part of the Australian Federal Government's 'Boosting Australia's Diesel Storage Program'.

Three diesel storage tanks of 30 million litres capacity each (enough to cover Victorian diesel usage for around one week) are proposed to be located in the north-western corner of the refinery site.

Bio-waste and recycling

The Geelong Energy Hub will explore new technologies to develop and supply biofuel products and participate in waste oil and plastic recycling.

For more information, refer to the case study on page 65.

Economic benefits

Our Geelong Energy Hub could play a key role in delivering the energy that the state needs now and in the future. This includes the fuel needed now for trucks, cars, planes and trains that drive our economy, but also the fuels and energies of the future and the gas needed to heat homes and power industry.

The Geelong Refinery currently has a permanent workforce of over 700 and contributes over $230M into the local region through wages and services. The Energy Hub will play a key role in diversifying the use and earnings from the site. It is anticipated that the Energy Hub will generate around 200–250 construction jobs and up to 100 ongoing roles providing both direct and indirect benefits.

Environment

Our Health, Safety, Security and Environmental (HSSE) Policy outlines our commitment to operating in an environmentally responsible manner and minimising potential environmental impacts of our operations or products. Aspects of our operations governed by environmental regulations are managed in accordance with our HSSE Management System (HSSE MS).

2021 Performance and progress

Significant reduction in environmental non-compliance (ENC) incidents:

Zero ENCs – Non-refining operations

50% reduction in ENCs – Geelong Refinery

1

Significant spill (>1,000kg)

2020: 3

81%

of hazardous waste diverted from landfill (excludes wastewater)

77%

of freshwater withdrawn for the Geelong Refinery is recycled water

- Progressed our firefighting foam transition program across all operations and remedial actions at facilities with legacy PFAS impacts – on track to meet regulatory obligations in 2022
- Progressed major land remediation projects at decommissioned sites including Clyde refinery, Newcastle (Hamilton) terminal, and North Fremantle terminal
- Implemented our Australian Packaging Covenant (APC) plan – on track and due for review in 2023.

2022 Priorities

- Progress and complete major remediation projects including Stage 2 of former Clyde refinery and remediation of the former North Fremantle terminal
- Continue implementation of our foam transition program to meet Queensland, South Australia, and emerging New South Wales compliance obligations by 2022
- Progress assessments and planning for the Geelong Refinery to meet Ultra-Low Sulphur Gasoline fuel standards by the end of 2024
- Support development of the Product Stewardship for Oil Containers Project
- Minimise offsite disposal of soil to improve soil reuse and recycling at the Geelong Refinery
- Implement improvements to stormwater infrastructure at the Geelong Refinery to improve stormwater discharge quality to Corio Bay.

Compliance and licensing

All of our operational facilities have Environmental Management Manuals (EMMs), which underpin the HSSE MS and include local controls for managing environmental risks and compliance.

All environmental incidents and near misses are recorded through our incident reporting system. A range of industry-specific key performance indicators are used to measure the effectiveness of our management systems – such as spills, environmental non-compliance records, emissions and waste metrics. In 2021, we undertook several site-specific environmental audits and updated over 40 EMMs for our aviation operations.

We publicly report on our environmental licence compliance and performance monitoring results for our major facilities. Learn more at vivaenergy.com.au/environment

Environmental performance in 2021

In 2021 we recorded our best environmental performance in over five years. Environmental non-compliance (ENC) incidents were down from 27 in 2020 to 13 in 2021. All ENC incidents were related to the Geelong Refinery, with all incidents assessed, investigated and reported to the relevant environmental regulator where required with no long-lasting impacts. For our non-refining operations we recorded zero ENCs.

More significant incidents are classified as environmental non-compliance (ENC) sanctions. ENC sanctions result in a fine, prosecution, enforceable undertaking, or review of licence to operate. In 2021, we recorded one ENC sanction incident. The Geelong Refinery received an Infringement Notice for an April 2021 EPA Licence breach relating to wastewater discharge exceeding licence limits to Corio Bay. We have since implemented changes to our maintenance program on the environmentally critical equipment involved.

For more on our 2021 environmental performance, see page 114 of the *Director's report*. For our environmental performance data refer to our Sustainability performance data in our *Sustainability Data Supplement 2021*

Spill prevention and response

Our 'No Product to Ground' objective aims to prevent uncontrolled release of hydrocarbon products to the environment.

To meet this objective, we implement spill prevention and control measures across all operations including: operational processes and procedures, routine surveillance, risk-based inspection programs, and leak detection technology.

For marine spills, we work with the Australian Maritime Safety Authority (AMSA) to maintain a national spill contingency plan. As an actively participating member of Australian Marine Oil Spill Centre (AMOSC), we have responsibilities to contribute trained personnel and equipment under mutual aid arrangements and in accordance with the National Plan for Maritime Environmental Emergencies.

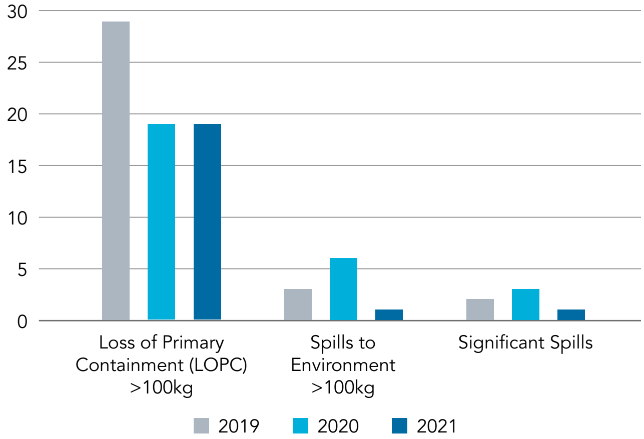
In 2021 we continued to develop our spill response capabilities, with 10 personnel from various groups within our business undertaking Oil Spill Response Command and Control training with AMOSC in April 2021.

Our performance is managed by tracking loss of primary containment (LOPC) incidents that occur within our facilities and road transport operations. An LOPC incident means hydrocarbon product has leaked or spilled from the primary containment (tanks or pipes) designed to safely hold our products. Secondary containment measures (such as tank bunds) also play a role in preventing products entering the environment.

In 2021 we recorded a similar number of loss of containment events to 2020 for larger (>100kg) LOPCs. One Significant Spill[13] occurred across our operations in 2021, and was also recorded as an API Tier 1 incident (see page 41) involving the release of refinery fuel gas at Geelong Refinery.

To further improve the quality of our stormwater discharge to Corio Bay, we will upgrade stormwater infrastructure at the Geelong Refinery in 2022.

No product to ground performance[1]



1. Excludes performance of Liberty Oil Holdings.

Contaminated land remediation

Our risk-based approach to contaminated land remediation across our portfolio is consistent with national standards and undertaken in consultation with environmental regulators. In 2021 we progressed or completed land remediation at several large decommissioned facilities[14] including:

- Former Newcastle (Hamilton) terminal, NSW – remediation works completed
- Former Clyde refinery land, NSW – Stage 1 Western Area Remediation Project (WARP) completed; Stage 2 remediation works in progress
- Former North Fremantle terminal, WA – remediation works in progress.

These works are being overseen by a regulator-accredited Environmental Auditor, who will provide site suitability statements consistent with proposed future land use for regulatory approval.

Across our Retail network we completed two proactive underground storage tank re-lining projects as part of a preventative approach to managing environmental risk due to ageing tanks and sensitive site settings. These measures reduce the likelihood of any leaks of product to soil and groundwater and more re-lines are planned for 2022.

13. Significant Spill is a spill of more than 1,000kg that reaches the environment.

14. These properties were sold (or in case of Part Clyde Terminal agreed to be sold upon the plan of subdivision being registered) to VE Property Pty Ltd (VEP) in 2017 and 2018. Accordingly, with the exception of Clyde Terminal, these sites are now owned by VEP. Pursuant to the agreement with VEP, Viva Energy retains responsibility for remediating these sites, so as to control the quality of remediation works and engagement with the regulator on the remediation process.

Case study: Update on habitat restoration

Green and Golden Bell Frogs, listed as vulnerable under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), have been identified within the wetlands at the Clyde Terminal.

As part of our ongoing efforts to protect the Green and Golden Bell Frogs and improve their habitat within the wetlands, we continue to implement our Plan of Management. This includes:

- Targeted pest control campaigns
- Regular frog surveys monitoring population and habitat conditions
- A wetland improvement plan (including weed removal and planting)
- Construction and management of purpose-designed breeding ponds.

These measures have ensured the Clyde wetlands provide a suitable environment and safe refuge to support populations of these vulnerable frogs.

Surveys in 2021 have identified Green and Golden Bell Frogs within the breeding ponds, including reproductively mature males and a female. Surveys will continue during the warmer months to build understanding about how frogs use the wetland.

PFAS and firefighting foam

As with all industries responsible for flammable fuel storage, we have historically stored and used PFAS-containing firefighting foams in line with recommended best practice to effectively combat flammable fuel fires. While the health and ecological effects of PFAS compounds are subject to ongoing research, we acknowledge their potential risk and the precautionary approach to PFAS management adopted by Australian environmental regulators.

Our risk-based approach to firefighting foams and associated infrastructure includes transitioning to fluorine-free foam to manage shallow pool fires and fuel spills, and to C6 purity foams to manage larger fuel storage tank systems.

Testing results from LASTFIRE in late 2021 gave positive indications of the efficacy of some fluorine-free foams for potential fixed system firefighting on medium-sized fuel storage tanks. In 2022 we anticipate having a fluorine-free foam option for some modestly sized tanks <30m diameter, containing standard petrol and kerosene hydrocarbon grades.

We progressed our transitional compliance plans for firefighting foams and infrastructure throughout our facilities in Queensland, Victoria and South Australia. We continue to work with state regulators to achieve full compliance in 2022. In all other states, we have made progress on removing fluorinated foams from service. We have commenced transition planning at the Geelong Refinery and all NSW facilities.

Our due diligence program for managing legacy impacts of PFAS to soil and groundwater is aligned with the PFAS National Environmental Management Plan (NEMP)[15] approach endorsed by all environmental regulators in Australia. As a result, we have continued to progress investigations and remedial actions at:

- Pinkenba terminal and other Queensland sites
- Newport terminal and Geelong Refinery in Victoria
- former North Fremantle terminal in Western Australia
- Port Lincoln terminal in South Australia.

At our Pinkenba and Newport facilities, initial mitigation of PFAS impacts found in former firefighting training areas was successfully undertaken in 2021 by either capping or covering the soil. This has reduced the concentration of PFAS in surface water runoff.

15. PFAS National Environmental Management Plan Version 2.0, Heads of EPA Australia and New Zealand (2020).

Air emissions

The manufacturing, storage, supply and use of our fuels causes air emissions such as Volatile Organic Compounds (VOCs), greenhouse gases (GHGs), sulphur oxides (SOx) and nitrogen oxides (NOx).

The Geelong Refinery makes up almost 90% of Group operations air emissions. The drop in fuel demand during Victorian COVID-19 restrictions led to significantly reduced production rates through much of 2020. Air emissions were well below previous years with the exception of sulphur dioxide (SO_2). Through late 2020 to early 2021 many of the refinery's processing units, including sulphur processing units, were shut down for major maintenance and performance improvements. The sulphur recovery units were returned to full capacity in Q1 2021 and maintained SO_2 emissions well below environmental licence limits.

A major maintenance project that improved our environmental performance at the Geelong Refinery included the replacement of a column in the Hydrofluoric Alkylation unit in late 2021. This unit helps minimise fluoride emissions from the alkylation process prior to releasing to atmosphere. These works will ensure smooth and reliable operation of the unit for its next production cycle.

Our non-refining operations continued to monitor and report on air emissions where required, including maintenance of existing controls.

We monitor air emissions from our facilities according to site licence conditions and report annually to the National Pollutant Inventory (NPI). See the latest NPI data at npi.gov.au/npi-data

Fuel standards brought forward

We continue to support improvements to Australian fuels standards including the introduction of Ultra-Low Sulphur Gasoline (ULSG), which has a sulphur limit of 10ppm.

As part of the long-term Fuel Security Package (FSP), the Federal Government and industry have agreed to bring forward the requirement for all gasoline grades in Australia to be ultra-low sulphur by the end of 2024.

Producing refined fuel to this specification requires substantial upgrades to the Geelong Refinery. The Federal Government has announced a commitment to provide a 50% (to a maximum of $125M) contribution towards the necessary capital upgrades to produce ULSG.

Viva Energy and the Federal Government have also agreed to bring forward important work to assess Australian gasoline and diesel specifications – with the potential to further align fuels to Euro 6 vehicle emission standards.

Case study: Air quality and odour management

We have invested significantly in equipment and processes to support our commitment to managing and reducing air emissions and associated potential for odour impacts, and to meeting our regulatory requirements.

At our Gore Bay Terminal, we import marine fuel oil (MFO) and other fuel products that are pumped directly to our Clyde Terminal in Western Sydney for storage and distribution. Given the proximity and sensitivity of neighbouring properties and the potentially odorous nature of MFO, the site has a Vapour Emissions Control System (VECS) to reduce any offensive odours and emissions.

The VECS collects vapour which is then treated through beds of activated carbon to strip out odour-generating compounds before the scrubbed air is released back to the atmosphere. Classified as environmental critical equipment, the VECS underwent major maintenance in 2021 to increase capacity and efficiency, and to re-route ducting traversing the adjacent cliff-face, which had posed significant challenges for inspection and maintenance.

Efficiency reviews of the activated carbon beds are ongoing to remove an even broader range of odour-generating compounds including those potentially associated with alternative sources of future MFO imports.

Sustainability report continued

Resource efficiency and the circular economy

Our customers, industry and government are increasingly focusing on waste management and how the circular economy can help to reduce waste. In 2021 we continued to focus on opportunities at the Geelong Refinery and across our lubricants supply chain, including:

- The Geelong Refinery participating in a world-first trial to develop, distribute and promote recycled soft plastics for food-grade packaging
- Developing waste-to-energy opportunities including biomethane
- Waste recovery practices ensuring most refinery waste is reused onsite, recycled or reused in other industries
- Continued signatory to the Australian Packaging Covenant
- Exploring new technologies to develop and supply biofuel products and participate in waste oil and plastic recycling.

The performance of our waste recovery practices at the Geelong Refinery remained strong in 2021 with:

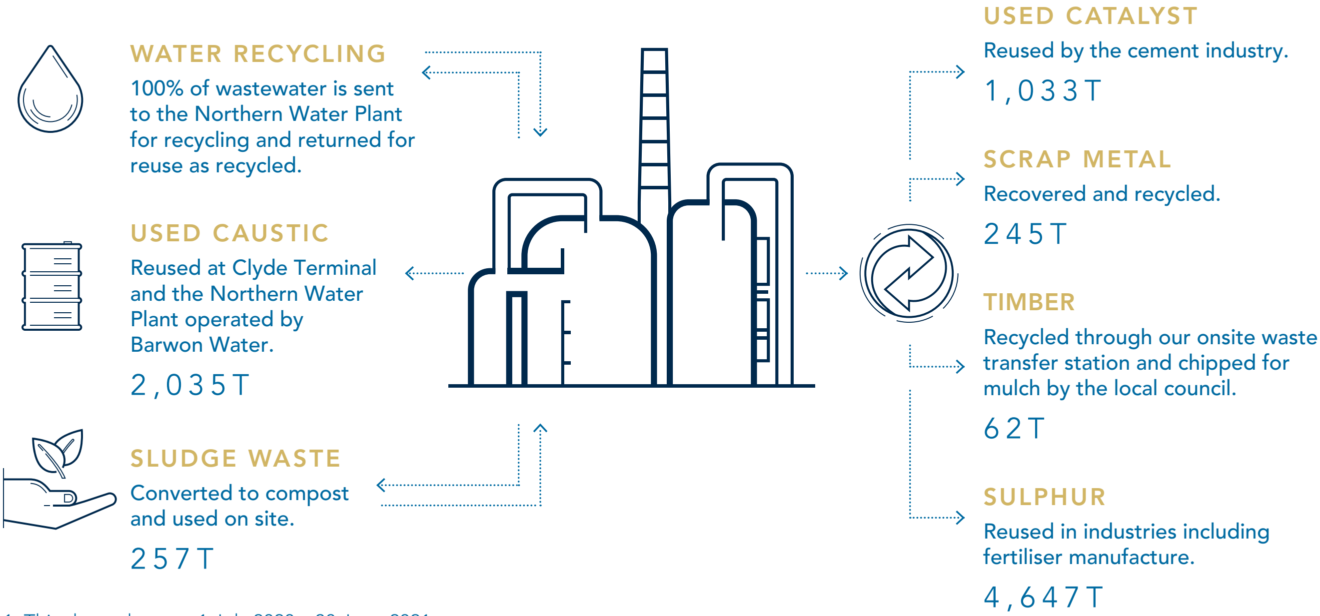
- Over 81% of hazardous waste (excluding wastewater) diverted from landfill
- 100% of wastewater sent to the Northern Water Plant (operated by Barwon Water) for recycling – the recycled water returned accounted for 77% of the refinery's water consumption (excluding seawater).

In 2022 our waste management efforts at the Geelong Refinery will focus on improving soil reuse onsite to minimise offsite soil disposal.

Water conservation at the Geelong Refinery

The Geelong Refinery requires large quantities of water to produce steam to heat crude oil and cool fuels during manufacturing. All freshwater used is sent to the Northern Water Plant for recycling and returned back to the refinery for reuse. In 2021, the refinery used 1,090ML of recycled freshwater, 318ML of potable freshwater and 110,319ML of seawater.

Geelong Refinery waste recovery efforts in 2021[1]



1. This data relates to 1 July 2020 – 30 June 2021.

Case study: Closing the loop on food-grade flexible plastics

Viva Energy joined forces with other Australian manufacturers to produce Australia's first soft plastic food-grade wrapper made with recycled content. To date, soft plastics collected in Australia have been made into end-of-life products like outdoor furniture, added to road base or used in waste-to-energy.

This innovative pilot demonstrates a circular future for soft plastics – completed by a coalition of companies including Nestlé, CurbCycle, iQ Renew, Licella, Viva Energy Australia, LyondellBasell, REDcycle, Taghleef Industries and Amcor.

Each organisation harnessed their individual expertise to collect and process waste soft plastic, turn it back into oil, and create the prototype wrapper used by Nestlé for their KitKat packaging.

Environmental impact assessments – Gas Terminal Project

Viva Energy is currently seeking regulatory approvals to develop a Gas Terminal at Geelong. As part of this approvals process we are undertaking an Environment Effects Statement (EES), the most rigorous environmental assessment process in Victoria.

During the design phase of the Gas Terminal Project, we looked at all aspects of the terminal design, construction and operation to find opportunities to improve the project's sustainability performance, reduce environmental impacts and minimise emissions.

As an example, we will reuse seawater from the proposed Gas Terminal floating storage and regasification process in the refinery operations cooling water system. This delivers a unique environmental outcome where the water temperature of the refinery discharge will be close to ambient and chlorine levels will be largely unchanged from current refinery operations.

As part of our EES we have declared several environmental commitments for the project including the purchase of certified carbon offsets for Scope 1 and Scope 2 emissions, which are directly related to the construction and operation of the terminal.

The draft project Environmental Effects Statement (EES) is on public exhibition from March 2022.

For more information on the project, including sustainability initiatives being implemented, and the EES studies and consultation process, visit vivaenergy.com.au/energy-hub/gas-terminal-project.

Sustainability report continued

The Australian Packaging Covenant

We continue to be a signatory to the Australian Packaging Covenant (APC) – the national regulatory framework under the National Environment Protection (Used Packaging Materials) Measure 2011 (NEPM). The APC sets out how governments and businesses across Australia share the responsibility for managing the environmental impacts of packaging.

Our commitments are set out in our APC Action Plan, which focuses on our packaged and bulk lubricant products. The two key goals of our plan include:

- Optimising resource recovery in our supply chain
- Minimising environmental impact of fugitive packaging through innovative solutions.

At our bulk lubricant facilities, we continue to review opportunities for optimising waste diversion and recycling with our waste recovery providers.

In 2021 we worked with the Big Bag Recovery initiative, which now collects and diverts our outer grease bulk plastic bags from landfill for recycling.

We continued to support the recycling activity of our retail and lubricant customers. As a stakeholder, we provided initial feedback to Australian Packaging Covenant Organisation (APCO) regarding a proposed product stewardship scheme for used oil containers. The scheme will promote recycling of used oil containers up to 20L sold in Australia.

Our main supplier of packed lubricant products, Shell, has implemented initiatives under their 2021 'Reduce. Reuse. Recycle' supply chain strategy, including:

- Lightweight cartons (without impact to carton strength), leading to a reduction in GHG emissions and paper consumption
- 1L lightweight bottles, leading to a reduction in plastic consumption, waste going to landfill, and GHG emissions

big bag recovery

Partnering to divert plastic from landfill

We receive and move our grease products in large bulk bags as part of our lubricant supply chain. The grease is then loaded into reusable hoppers for distribution to customers. While these bulk bags provide a safe and efficient distribution solution, some components have proven difficult to recycle.

By partnering with Big Bag Recovery to recycle the outer bags, we expect to divert 5 tonnes of plastic from landfill each year.

- 25% post-consumer resin (PCR) bottles, helping to create a circular economy and reduce CO_2 emissions.

In 2022 we will continue to implement our three-year APC Action Plan and prepare for its review and update in 2023.

For more on our participation in the circular economy refer to Bioenergy and waste recycling on page 49.

See our latest APC annual performance report at vivaenergy.com.au/environment

Our people

Our ability to attract, motivate and develop great people enables our outstanding business results today and into the future. Our people give us a competitive edge that is core to our success.

2021 saw a renewed focus on positioning our Company as an employer of choice for females, and driving greater employee engagement, inclusion and belonging – particularly during the ongoing pandemic.

2021 Performance and progress

1,447 employees 43% based in regional areas	**44%** female representation in our Senior Leadership Group Target: 40%
3.6% gender pay gap Recruited: 9 females in non-traditional roles 66% females for the 2022 Graduate Program	Maintained a high level of employee engagement of **69%**

- Advanced our Inclusion and Diversity strategy including:
  - Promotion of employment brand
  - Recruitment audit for unconscious bias
  - Introducing inclusive leadership training and shared senior leadership accountability for achieving gender targets.
- Embedded the new Viva Ways of Working via three dedicated work streams; Viva Flex, Viva Connect and Viva Tech
- Launched organisation-wide family and domestic violence leave, and training for contact officers to respond to potential cases reported
- Developed a Smart with Heart leadership framework to unlock potential and build capabilities of our people
- Continued building a diverse and inclusive culture with established Pride, Cultural Diversity and Reconciliation Action Plan committees
- Proudly hold the citation for WGEA Employer of Choice for Gender Equality
- Winner of AFR BOSS Best Places to Work in the Agriculture, Mining and Utilities industry.

2022 Priorities

- Refreshing our Employee Value Proposition as part of The Viva Way
- Implementing 'Leading the Viva Way' and 'Smart with Heart' frameworks through people practices, processes and programs
- Embedding Viva Ways of Working with a focus on flexible choices for frontline workers
- Lifting representation of females with a focus on operational roles
- Broadening our diversity lens, building an inclusive workplace and sustaining the momentum of the 2021 launch of our Pride and Cultural Diversity committees.

Case Study: AFR Best Place to Work

In 2021, our innovative practices to drive flexibility, wellbeing and equality were recognised in the AFR Boss Best Places to Work Awards, for which we won the Agriculture, Mining and Utilities category.

We are proud to be recognised for:

- Our Viva Ways of Working, which provide choice in how we work so we can maintain productivity, connection, and wellbeing – and deliver the best outcomes for Viva Energy
- Our focus on inclusion and inclusive leadership to build a culture where everyone feels confident to contribute their perspectives and be proud of their individuality
- Our leading approach to reducing the gap in retirement savings between males and females; we were the first company in Australia to introduce full-time equivalent superannuation payments for employees on parental leave and parents working part-time until their child turns five years old.

We continue to benchmark and enhance our people policies to ensure leading practice.

Employee engagement

We regularly seek feedback to drive a culture where people can be their best. Through structured surveys and informal engagement, employees are encouraged to provide their insights at all levels of the organisation and provide honest feedback on performance.

Using Culture Amp, 81% of our people participated in an engagement survey in late 2021. Our overall engagement score of 69% was similar to the previous year's score of 70%, which itself was improvement on our results prior to 2020. Like the previous year, the survey showed us that the highest scoring areas are Safety (91%), Inclusion & Diversity (81%) and Values (78%).

Constructive relations with our team members and unions

Our people have the right to freedom of association and collective bargaining. Our business maintains strong, healthy employee relations through strategies that provide operational flexibility, promote high productivity, and focus on employee engagement. Enterprise Agreements cover 32% of our employees.

We maintain good working relationships with our team members and union representatives. We are committed to good faith bargaining and productive, respectful workplace relations.

Terms and conditions of employment are regularly benchmarked against relevant industry and competitors, and national and state economic analysis informs the Company's negotiating strategy on wage increases, and key productivity and enhanced flexibility improvements.

Viva Ways of Working

Our Viva Way describes how we work together in terms of our values and behaviours and is reinforced through our Viva Ways of Working (WoW).

The underlying principle of Viva WoW is that we trust our people and empower them to choose the way they want to work. Viva WoW accelerates changes and improvements we have made to our ways of working during the pandemic via three dedicated work streams: Viva Flex, Viva Connect and Viva Tech.

Viva Flex – providing even more flexibility in the way we work

We have enhanced flexibility provisions for all team members by discussing individual, team, stakeholder and customer needs and agreeing on a flexible model of working that is modelled by our leaders. In 2022 we will work on how we can progress flexibility for frontline workers.

Viva Connect – supporting inclusive and purposeful communication

Virtual town halls held monthly keep our team updated and provide a forum to ask live questions of leaders.

Our ongoing People Connect sessions provide team members with support on health, wellness and leadership – and opportunities to interact with colleagues, leaders and external experts.

In 2021 we launched Workplace by Facebook to power our internal communications and support employee connectivity.

Viva Tech – enabling new ways of working through technology

Viva Tech is about enabling flexibility through technology and ensuring everyone has the technology and equipment to do their job. Team members are supported to leverage our leading-edge technology via webinar training sessions and a curated resources hub of videos and guides.

2021 employee engagement results

77%
of participating employees feel they have the flexibility they need to manage work and other commitments.

78%
of participating employees understand they can arrange time out of work when they need to.

73%
of participating employees genuinely feel supported when making flexible working arrangements.

Case study: Part-time arrangements providing work-life balance at Sydney into-plane operations

Adam McLennan and Ross Parkin are refuellers at Sydney Airport. They both enjoy the challenge of their busy role, working shifts across seven days to keep planes refuelled, and enjoy the option of balancing a part-time role. Part-time hours mean Adam can spend time caring for his four-year-old daughter. "I can enjoy time with Daisy before she starts going to school and I can also pick up extra shifts if needed," he said.

For Ross it means more time to support his family as his partner also works in shifts. "It allows me to help out more at home and support my partner's career too," he said. "I'm grateful for the flexibility."

Anita Kiprovski works three days a week from 7am until 3pm supporting the team with administration. This allows flexibility to manage care for her three and five-year-old children. "I went part-time after having my first child to enable me to balance my family commitments," she said. "I feel very lucky to be supported to do that".

Developing our people

Our success in delivering on strategic goals depends on our people having the necessary skills, experiences, capabilities and opportunities. We support development to ensure we have the right people in the right roles with the right skills.

In 2021 we invested more than 47,000 training hours across our corporate and operational teams. Of this total, 32,699 hours were attributed to operations, where 1,953 employees and contractors completed an average of 16.7 training hours during the year.

Overall, employees completed 15,239 hours of training related to annual compliance activities and our changed working arrangements – including an emphasis on cyber security threats, and on the impact of working conditions on psychological safety and wellbeing. As a minimum, training is delivered across our Code of Conduct, Privacy, Anti-Bullying & Harassment, Cyber Security, and operational safe working training requirements.

Smart with Heart Framework

The Smart with Heart Framework defines the competencies that will enable success for people leaders and self-leaders.

This framework was built by our people, for our people. Using focus groups, in-depth interviews and leading external research, we listened to our people on what enables us to be effective and succeed.

Together we identified the five Business Leadership and five People Leadership competencies that make up Smart with Heart.

The contemporary development methodology underpins our approach to People and Culture, including development, recruitment and talent.

Our people leaders dedicate time to having Smart with Heart development conversations, which focus on:

- Building on strengths
- Remediating possible 'de-railers'
- Progressing aspirations.

It also underpins coaching and development conversations, leadership programs and interventions. Taking this holistic approach enables us to unlock potential and build the capabilities we need in our people to succeed.

2022 Graduate Program

In 2021 we launched our Viva Energy Graduate Program campaign: Your Future is Our Energy. We received over 1,000 applications and appointed nine graduates – six female and three males.

Inclusion and diversity

Our approach to diversity and inclusion builds pride and engagement within our Company. By actively including a diverse range of ideas and perspectives, we can better connect with customers and with each other. An emphasis on inclusion and inclusive leadership contributes to a culture where everyone is confident to contribute and is proud of their individuality.

Three executive-sponsored groups are dedicated to supporting our team members to feel safe, supported, empowered and proud to bring their authentic self to work:

- Pride Committee
- Cultural Diversity Collective
- Reconciliation Action Plan Committee.

Our Face of Viva Survey helps us better understand and celebrate the diversity of the people who work for Viva Energy.

Female representation in the Senior Leadership Group

2021	44%
2020	41%
2019	39%
Target	40%

Female new hires

2021	36%
2020	30%
2019	40%
Target	50%

Female representation on the Board

2021	29%
2020	29%
2019	29%
Target (longer term succession planning)	40%

Overall female representation

2021	26%
2020	24%
2019	24%

Female promotions

2021	38%
2020	19%
2019	26%

Gender diversity

Viva Energy is committed to improving the representation and equal pay of women in all roles and levels in our business. We track and report against diversity targets, and report annually to the Workplace Gender Equality Agency (WGEA). For 2020-21 we reported our workforce gender profile as of 31 March 2021, with our report lodged to WGEA on 11 August 2021. In addition to the compliance reporting, we are also proud to be recognised again as a WGEA Employer of Choice.

One of the key metrics that we track to assess our progress in gender diversity is our gender pay gap. The gender pay gap includes the total remuneration pay gap (expressed as a percentage) between women and men in the workforce. We internally calculated the Group-level gender pay gap of 3.6% for 2020-21 which was also reported to our Board.

In August 2021 we joined 40:40 Vision with other ASX 200 companies to commit to achieving gender balance in our Executive Team by 2030. Gender balance is defined as having at least 40% male and 40% female representation. We have revised our target for female representation in the Senior Leadership Group from 50% to at least 40%. As of the end of 2021, we had 44% female representation in our Senior Leadership Group.

WGEA Employer of Choice for Gender Equality

Our commitment to gender equality has again been nationally recognised, with Viva Energy cited by the Workplace Gender Equality Agency (WGEA) as a 2020-21 Employer of Choice for Gender Equality.

Addressing everyday sexism

At Viva Energy, we are committed to creating a safe and inclusive culture where everyone is treated with respect. Sexual harassment or other forms of harassment are not tolerated under our Business Principles and Code of Conduct.

As part of our approach to better understand the level of psychological safety among our team members, our CEO Scott Wyatt championed a series of listening sessions. Driven by his Senior Leadership Team, the sessions covered everyday sexism, the treatment of women and workplace culture. These leader-led sessions provided an opportunity for feedback from team members, and a forum to reinforce supports available to manage inappropriate behaviour.

We have implemented a Say it Again campaign in various workgroups of our organisation to help team members call out inappropriate comments in the moment – as a trigger for reflection and conversation on why a comment may be considered inappropriate or offensive.

Case study: Women in Industry award finalists

The Women in Industry awards celebrate women working across the mining, engineering, manufacturing and commercial road transport industries, and recognise career excellence and achievements.

We were thrilled to announce that two women from our Geelong Refinery were shortlisted as finalists in 2021.

Ashleigh Fulcher, Reliability Manager, was recognised under the Excellence in Engineering category for her outstanding personal contribution to manufacturing and the wider manufacturing community.

Kirstie Looke, Crude Scheduler, was recognised under the Rising Star category for showing significant promise within her chosen industry and exceeding expectations at the start of her career.

Ashleigh Fulcher


Kirstie Looke

Parental Leave Policy

Our employees come from diverse backgrounds with different family situations and caring responsibilities. We continue to grow and improve the suite of resources and support offered to people who are planning parenthood, starting parental leave or returning to work.

In 2021 we partnered with Parents at Work to support parents and carers. Their Work and Family Hub includes curated courses and resources for support across all ages and stages of life.

Our paid Keeping in Touch program ensures employees on extended parental leave can maintain their connection with the business. We also support our employees with special compassionate leave in the event of early miscarriage or unsuccessful IVF attempts. We provide paid primary and secondary parental leave on top of any government-funded leave.

Viva Energy makes 12% (full-time) superannuation payments for employees on parental leave or working part-time for up to five years from the child's birth. This initiative has been widely supported by our employees and sparked similar commitments from other businesses since implementation in 2017.

Our community

We are committed to building strong relationships and making a positive difference in local communities that are associated with our national operating footprint. This is important for employee attraction and engagement as well as maintaining our social licence to operate with the community and external stakeholders more generally.

2021 Performance and progress

96%
of our inaugural RAP deliverables have been achieved

$3.5M
spend with First Nations businesses and organisations

$776,000
invested into community partnerships

80%
of our people have completed cultural awareness training

- Refreshed our Community Program including adding new partnerships in 2021 and for 2022
- Completed our inaugural Reconciliation Action Plan (RAP)
- National Reconciliation Week and National Aboriginal and Islander Day Observance Committee (NAIDOC) events conducted including virtual options
- Community consultations undertaken for the proposed Gas Terminal Project to ensure community understanding and support for the project and to comply with the Environmental Effects Statement (EES) process.

2022 Priorities

- Finalise and launch our new community partnerships
- Launch and implement our second Reconciliation Action Plan 2022-2024
- Increase engagement with the Geelong community by expanding local sporting club grants and reintroducing awards to recognise local heroes
- Promote employee Good Deed opportunities with our partners, fundraising and volunteering
- Increase engagement with Traditional owners and support for First Nations businesses.

Local community engagement

We recognise our operations provide benefits to the local economy but have the potential to impact local communities. Regular engagement with our community and stakeholders is essential to maintaining our social licence to operate and securing buy-in to deliver new projects.

We maintain active and regular community engagements for our larger facilities and for any new major projects or developments. Specific community engagement activities are undertaken for the Geelong Refinery and our terminals at Newport, Clyde and Parramatta, Gore Bay and Pinkenba.

For more information see vivaenergy.com.au/sustainability/community

Our Geelong community

The Geelong Refinery is our largest operational site, employing more than 700 people and supplying half of Victoria's fuel needs. Our operations have been part of the Geelong community since 1954 and inject more than $230M annually into the local economy.

Local community partnerships include:

- Northern Futures
- Sponsorship of the Geelong Football Club's inaugural AFLW (women's) team and their Next Generation Academy
- Social enterprise Gen U, which provides cafeteria and gardening services.

Sport plays a significant role in the Geelong region. Despite COVID-19 impacting junior sport, we continued to support 10 local clubs. which rely on corporate contributions.

In 2021 we progressed our vision to develop the Geelong Energy Hub at our refinery site with continued community and stakeholder engagement and consultation.

For more information refer to vivaenergy.com.au/energy-hub

Community complaints

Viva Energy has a procedure for third party complaint investigation, response and reporting. The Complaint Management System includes:

- Reporting relevant complaints to regulators in keeping with licence requirements
- Keeping a record of all complaints.

Our community stakeholders are kept informed about grievance mechanisms through ongoing engagement including meetings, newsletters and website updates. They can also access grievance mechanisms through a 24-hour telephone line.

Viva Energy reviews all complaints or grievances to ensure they are understood and remedied where possible. In 2021 the majority of community complaints received related to noise, odour, nuisance or air quality concerns. We recorded and investigated all complaints and made necessary assessments and regulatory reports where required.

Community program

Our community program goal is to be valued by our people, local communities and customers for our genuine efforts towards positive social impact. We are committed to giving back to our local communities to help them reach their destination.

Our partnerships with organisations such as the Cathy Freeman Foundation (CFF) and the National Aboriginal Sporting Chance Academy (NASCA) officially concluded at the end of 2021, which provided an opportunity to review the program and partnerships we support.

Our partnership with the Koorie Heritage Trust (KHT) will continue to support their important work to promote and preserve traditional language and culture in Victoria, and support us to build our cultural awareness and connection in Victoria.

We have also developed a partnership with Racing Together to promote First Nations youth participation in motorsports and STEM careers.

Our programs have helped us deliver on our RAP commitments. While opportunities for engagement with our program partners were impacted due to COVID-19, we adapted our engagement approach to deliver virtual NAIDOC and Reconciliation Week activities.

Employee participation

Our employees have continued to do Good Deeds in 2021 – supported by two days of annual community engagement leave. The impacts of COVID-19 reduced opportunities for participation in volunteering and fundraising activities, with 220 Good Deeds completed in 2021, compared to 576 in 2020 and over 1,000 in 2019.

We have reimagined our Good Deeds program to encourage more uptake of community engagement leave in 2022. We support our employees with donations and team fundraising through our Double My Donation and Team Fundraising programs – where Viva Energy matches funds raised for approved organisations.

To enable participation and engagement with key First Nations celebrations, we adapted our approach to deliver virtual activities for our people for NAIDOC and Reconciliation Weeks.

Community highlights for 2021

220 Good Deeds completed by our employees.

Our employees raised $291,055 through Double My Donation and Team Fundraising (includes Viva Energy matching).

In our third year of being a Premier Partner of the Geelong Football Club's AFLW team, we continued to be the major sponsor of Welcome to Geelong Day.

The AFLW players and Viva Energy introduced over 130 refugees and immigrants to Aussie Rules at the footy fair.

95 young people supported by Viva Energy via our partners programs.

We have delivered strongly on our inaugural Reconciliation Action Plan (RAP) with 96% of actions achieved.

Our people

We create simple and inspiring ways for our employees to contribute to positive social impact.

Double My Donation to community partners

204 employees have donated $160,412 including Viva Energy matching.

Employee led program

30 Community Ambassadors across the organisation help to deliver our community program and offer participation opportunities for employees.

Team fundraising

$130,643 raised for 11 charities through team fundraising activities, including Viva Energy's matching.

Improving cultural awareness

Of the 280 employees who participated in National Reconciliation Week (NRW) events, 217 participated in a series of virtual activities that included a NRW People Connect session and KHT virtual cultural tours.

All activities were aimed not only at celebrating NRW, but also to deepen our cultural awareness and competency. Over 80% of employees and contractors have completed On-Line Cultural Awareness Training launched in 2020.

Our communities

We support local projects that foster positive role models to address significant community challenges.

Investing in the community

We contributed $776,620 to our partnerships and sponsorships.

Cathy Freeman Foundation (CFF)

We supported 28 young First Nations people to attend 'in community' Horizons camps designed to increase confidence and goal-setting skills. COVID-19 has seen five camps rescheduled to 2022.

National Aboriginal Sporting Chance Academy (NASCA)

NASCA delivered 276 hours of activities, supporting 43 students in western Sydney with the support of Viva Energy's partnership.

Racing Together

In July 2021 we entered a three-and-a-half-year partnership with Racing Together, a forward-thinking program to help First Nations youth become involved in motorsport.

Over 130 participants will receive two days of intensive training in advanced driving, motorsport, racing, wellbeing, self-esteem and STEM subjects. Each year, 10 participants will be selected to form a racing team.

In the first six months of the partnership 10 students have benefited from the program.

Koorie Heritage Trust (KHT)

Viva Energy's funding supported the recording of a further five new, 74 digitisations and 95 entries to KHT collection management software of oral histories, the delivery of virtual school holiday programs and annual events including the Koorie Art Show and Koorie Krismas.

Northern Futures

We continue to engage with Northern Futures to assist in removing barriers to disadvantaged students completing study or gaining employment. This year the program supported 14 students.

Community support and Indigenous grants

Grants to the total value of $69,420 with two Indigenous programs – Shooting Stars and Indigenous Literacy Foundation – each receiving a $20,000 grant and six local community organisations received a share of $29,420.

Our business

We use our business capabilities to help create long-term positive change.

Low Aromatic Fuel (LAF)

With the renewal of our contract to manufacture and supply LAF into northern Australia until at least 2023, we continue our commitment to helping reduce petrol sniffing in regional and remote communities.

Member of Supply Nation

Our membership provides options to support First Nations businesses with more than $3.5M spent on First Nations peoples owned and led organisations.

First Nations peoples employment

First Nations people's employment has remained steady. We encourage and influence our major contractors to prepare and implement First Nations participation plans.

Customers

Working with our customers to support local communities where we both operate.

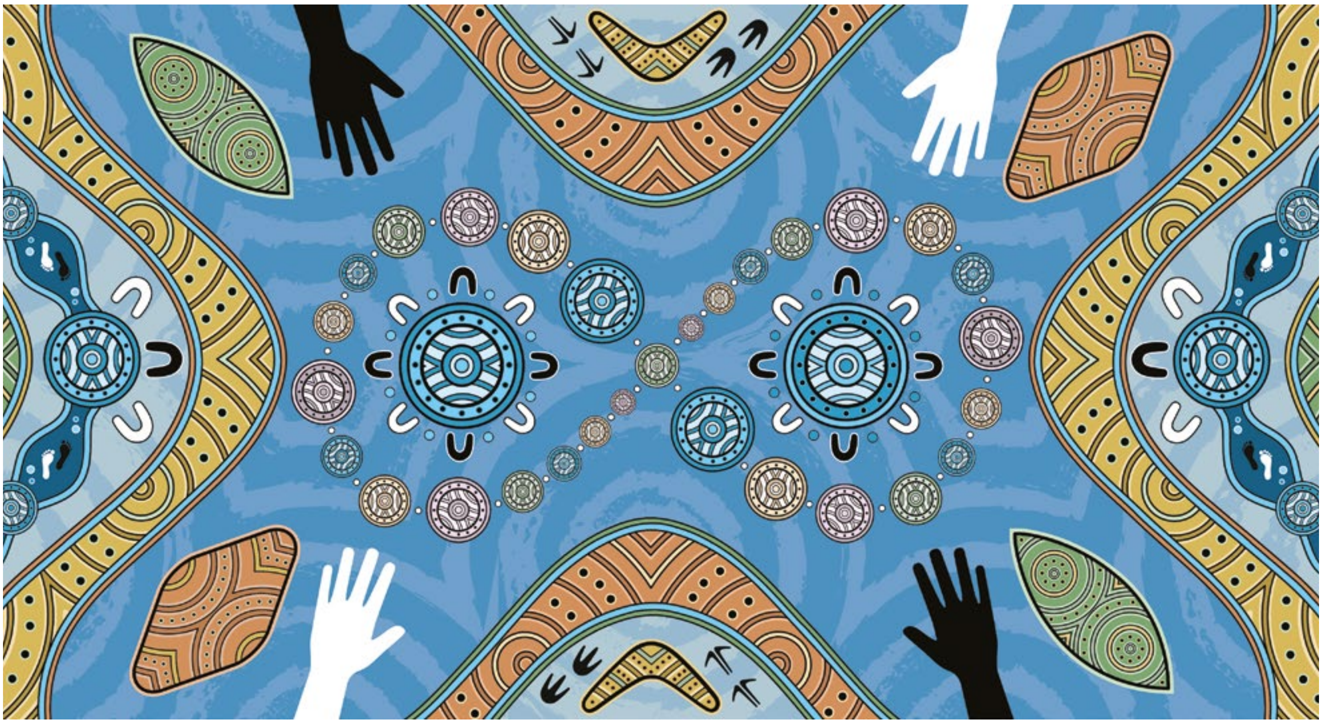
Healthy Heads in Trucks & Shed (HHTS)

The three-year sponsorship will assist the Foundation to deliver its National Mental Health and Wellbeing Roadmap.

Support for Geelong and grass roots sports

We are a Premier Partner of the Geelong Cats AFLW side and NextGen Academy, and sponsor 10 local Geelong sports clubs.

Viva Energy Australia · Community Program · Towards positive social change



Reconciliation Action Plan (RAP) update

Our inaugural RAP (2019-2021) saw us achieve 96% of our commitments. The key deliverables achieved through our RAP included:

- Supporting our major First Nations partners with provision of $3M over three years to the Cathy Freeman Foundation (CFF), National Aboriginal Sporting Chance Academy (NASCA), Koorie Heritage Trust (KHT), and Council for Aboriginal Alcohol Program Services (CAAPS). Through these partnerships we supported over 360 individual young people and delivered classroom sessions to over 9,450 students
- Re-securing the Low Aromatic Fuel (LAF) supply contract for northern Australia until at least 2023 – continuing to reduce petrol sniffing in remote and regional communities
- Developing strategies for First Nations cultural awareness training and First Nations employment and retention
- Launching online First Nations Cultural Awareness Training and increasing employee participation in the training
- Celebrating NAIDOC and National Reconciliation Week, including pivoting to virtual activities in 2020 and 2021
- Updating our procurement guidance to actively consider First Nations businesses for goods and services being procured by the Company
- Partnering with CareerTrackers to host an annual intake of First Nations interns – providing five internship placements in 2019, four in 2020 and one in 2021
- Commencing a new partnership with Racing Together to encourage First Nations youth participation in STEM and motorsports.

While Viva Energy is pleased with the achievements in our first RAP, we recognise there is more to do.

We have learnt from the challenges of our reconciliation journey, including the impact of COVID-19, which restricted our face-to-face engagements with First Nations people and corporations. We will continue to build on our achievements in our 2022-2024 RAP, which is due for release in April 2022. Our second RAP will set additional targets that will stretch us and aim to make positive impacts in the communities where we operate, with focus on:

- Building longstanding relationships with Traditional Owners to deliver sustainable benefits where our major sites are located
- Widening the diversity of First Nations suppliers and building stronger relationships
- Maintaining our focus on increasing First Nations employment and retention.

Supply Nation MEMBER

Viva Energy is a member of Supply Nation, an Australian leader in supplier diversity and connecting organisations with First Nation businesses. Supply Nation supports us to connect with and increase our procurement spend with First Nations businesses.

Case study: First Nations procurement – Nakula Marine Services

In 2018, Viva Energy awarded a fuel bunkering contract to Nakula Marine Services. Bunkering is where marine fuel oil (MFO) is delivered through pipeline via a bunker truck onto a marine vessel and is a relatively complex activity. The company also provides a range of vessel shipping agency services at the Port of Broome in the Kimberley region. Since being awarded the contract Nakula Marine Services has transferred over 100 million litres of fuel.

Nakula Marine Services is a Broome-based, family-run business that incorporated in 2014. The business is 100% First Nations people owned and operated with three of its five employees being First Nations people. The word Nakula is derived from the Yawuru language and means water or ocean.

Scott Manning and Jade Robinson, owners of Nakula Marine Services, both worked at Viva Energy's Broome terminal where they met and decided to form the company. Jade is the Managing Director and is a proud Yawuru woman from the Walman Jano clan on her mother's side. Jade has worked in the Kimberley region for approximately 20 years. She has worked in shipping and the oil and gas industry for the last seven years with a focus on vessel operations, and has extensive knowledge of Broome Port.

Nakula Marine Services aims to employ local First Nations peoples wherever possible and enhance the prospects of First Nations peoples through sustainable work opportunities and are looking to take on First Nations trainees once they have the capability to do so.

Low Aromatic Fuel

In partnership with the Federal Government National Indigenous Australians Agency, Viva Energy supplies around 35 million litres of Low Aromatic Fuel (LAF) to northern Australia each year.

LAF is a specially designed 91 octane unleaded petrol that complies with the Australian Fuel Quality Standards Act and can be used in all petrol engines that use regular 91 octane fuel.

LAF is manufactured at the Geelong Refinery and our supply footprint covers NT, QLD and WA from our Darwin, Weipa, and Townsville terminals. The supply of LAF has helped reduce petrol sniffing in regional and remote areas.

91 Low Aromatic supply zone

LOW AROMATIC UNLEADED

Case study: Racing Together

Viva Energy has entered into a new community partnership with Racing Together, a forward-thinking program to help First Nations youth become involved in motorsport.

Over the three-year partnership, 130 participants will receive two days of intensive training in advanced driving, motorsport and racing – as well as wellbeing, self-esteem and STEM subjects. Each year, 10 participants will be selected to form a racing team.

Currently there are no high-profile First Nations figures in Australian motorsport, despite the $2.9 billion industry generating an estimated 30,000 jobs. The goal of the Racing Together program is to have 30 First Nations Australians participating and working in the sector within five years and 1,000 within 15 years.

Vince Neville, Viva Energy's General Manager of Distribution, said he is delighted the Company is able to support the program.

"The partnership between Racing Together and Viva Energy ties in closely with our vision for reconciliation as a nation where First Nations people have equal and equitable opportunities to reach their destination," Mr Neville said.

The program operates with the support of Queensland Government's Department of Employment, Small Business and Training.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Ethical conduct and transparency

Viva Energy observes the highest standard of corporate practice. Our Board and management team are committed to protecting shareholder value by upholding a Code of Conduct that is ethical, responsible, and respectful of customers, communities, our people and stakeholders.

2021 Performance and progress

$5.87B
Total tax contribution

Zero
Notifiable cyber security data breaches

Supplier Code of Conduct
introduced

185
employees completed modern slavery training

- Targeted modern slavery due diligence – survey issued to and responses received from 101 suppliers based on their spend and inherent risk
- Embedded modern slavery clauses into our standard terms and conditions for new procurement contracts
- Introduced a Supplier Code of Conduct
- Deep dive research into vetting shipping vessels to mitigate modern slavery risks
- No notifiable cyber security data breaches.

2022 Priorities

- Embedding our Supplier Code of Conduct and furthering our interaction with key suppliers through survey to identify opportunities for sustainability collaboration and performance improvement across our supply chain
- Exploring opportunities to collaborate with higher-risk suppliers to reduce their modern slavery risk profile.

Our approach to strong corporate governance

Viva Energy has long-standing Business Principles reflecting our core values and guiding our conduct and operations. Our Code of Conduct outlines how we expect our people (including Directors and senior executives) to behave and conduct themselves in the workplace. All employees are required to annually review and confirm their understanding of the Business Principles and Code of Conduct.

Our Code of Conduct is supported by the following policies:

- Anti-Bribery and Corruption Policy
- Whistleblower Policy
- Securities Trading Policy
- Inclusion and Diversity Policy
- Disclosure Policy
- Shareholder Communications Policy
- Human Rights Policy
- Supplier Code of Conduct.

Our employees receive awareness training on these policies where it is appropriate for their role.

For more information on our corporate governance and policies visit vivaenergy.com.au/our-company/corporate-governance

Reporting misconduct

Viva Energy maintains a Whistleblower Service and Policy. The policy details the rights of eligible persons to report – on a confidential and anonymous basis – suspected illegal, fraudulent, unethical or socially irresponsible conduct by Viva Energy or any of our officers, employees or contractors. This includes breaches of the Viva Energy Code of Conduct or other Viva Energy policies.

We take allegations of improper conduct seriously. Concerns or reports of improper conduct can be disclosed to our independent whistleblower reporting service (Stopline) or to a Viva Energy protected disclosure officer.

All disclosures are investigated in a timely, thorough and confidential manner. We apply the principles of natural justice, procedural fairness and best practice investigative techniques. Eligible persons receive protection from detrimental action and retain anonymity – unless the individual consents to being identified or another exception applies. In 2021, we received one disclosure via Stopline, and this was investigated and closed in July 2021.

Our Audit and Risk Committee (ARC) receives regular reports of anonymised whistleblower disclosures and material breaches of our Code of Conduct and other Viva Energy policies. Reports include:

- A summary of the disclosure and the associated investigation
- Identification of any patterns of conduct
- Recommendations.

Serious or material disclosures are considered for immediate referral to the Chair of the ARC and Board. The Board is informed of any material breaches of the Code of Conduct by a Director or senior executive, and any other material breaches of the Code of Conduct that call into question the culture of the Company.

In 2021, approximately 70% of material breaches of our Code of Conduct and other Viva Energy policies reported to the ARC related to Life Saving Rule breaches (see page 39). Approximately 30% related to Code of Conduct breaches for inappropriate workplace behaviour. Appropriate action was taken to address the breaches, including formal warnings and termination of employment where warranted. There were no reported cases of policy violations relating to bribery or corruption during 2021.

Modern slavery

In 2021 we conducted further assessments aimed at increasing the visibility, awareness and understanding of modern slavery risks across our supply chains. This included a targeted analysis of 101 key suppliers based on spend and inherent risk. This was aimed at understanding the risks both within the operations of the supplier itself and further up the supply chain, i.e., beyond our Tier 1 suppliers.

We identified shipping as the area that presents the greatest risk of modern slavery in our procurement activities. This risk was further identified as potentially heightened by the COVID-19 pandemic. As a result, we undertook an assessment of the potential modern slavery risks associated with the shipping vessels used to import crude oil and finished products. This work enabled us to assess risk while also presenting an opportunity for Viva Energy to drive positive change given our involvement with the shipping industry and established relationships with key shipping service providers.

During 2021 our assessments did not identify any actual instances or allegations of modern slavery within the direct operations of Viva Energy, and we did not become aware of any modern slavery allegations against any of our suppliers.

Supporting our commitments, in 2021 we embedded modern slavery clauses into the standard terms of conditions for our new procurement contracts, supported by the introduction of a Supplier Code of Conduct. For all employees with responsibility for people, procurement and supply chain account management we rolled out modern slavery training, with 189 employees completing this training in 2021.

To view our *Modern Slavery Statement 2021* visit vivaenergy.com.au/investor-centre/company-reports

Procurement approach

Our Procurement Policy sets out how employees, contractors and agents engage in any form of procurement activity on behalf of Viva Energy. All decisions related to purchasing activity are based on our guiding principles.

One of those guiding principles requires that all Viva Energy dealings must be fair, transparent and ethical. Our suppliers must also adhere to high ethical standards and fairness in their own business. We actively seek suppliers that align with our sustainability objectives, including that they:

- Do not promote discrimination on any grounds, or occurrences of modern slavery
- Do promote fair living wages, freedom of association, equitable working conditions, employee health and safety, and working within the relevant laws of their country
- Support our gender diversity policy and Reconciliation Action Plan (RAP) objectives.

We have also amended our guiding principles to:

- Actively consider Indigenous or Torres Strait Island owned or operated businesses where their offering meets our needs and is cost competitive
- Engage suppliers who demonstrate a commitment to gender equity.

Supplier Code of Conduct

Viva Energy seeks to engage with contractors, suppliers and service providers who share similar values. In 2021 we introduced a Supplier Code of Conduct. The code supports our sustainability focus areas and sets out our expectations and responsibilities for our existing and future partnerships.

We communicated the new code to our key suppliers as part of our modern slavery survey in 2021. More surveys are planned for 2022 to identify opportunities for sustainability collaboration and improvement across our supply chain.

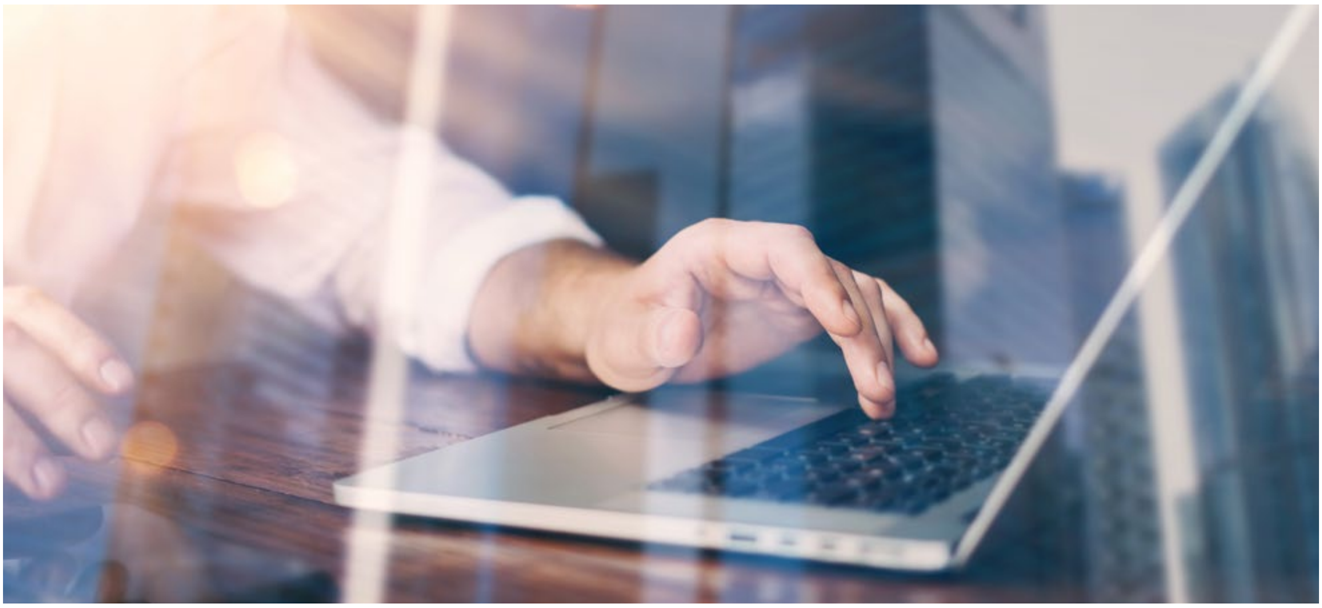
Supporting small business

We support small business through our procurement guidelines and standard 30-day payment terms. In 2021, a high percentage (42%) of invoices were paid within 20 days, which is well within our standard payment terms. Our payment terms and performance are reported at register.paymenttimes.gov.au.

Standard payment terms and performance[1]

Value of invoices paid in	%
< 21 days	42
21 – 30 days	28
31 – 60 days	30
61 – 90 days	0
91 – 120 days	0
>120 days	0

1. This data is for half year ended 31 December 2021 and represents the consolidated outcome for all Viva Energy Group reporting entities.



Tax transparency

We are committed to delivering transparency and providing communities and stakeholders with a clear understanding of the tax contributions we make and collect for the Australian economy.

In 2016, Viva Energy adopted the Voluntary Tax Transparency Code, under which we make public disclosures each year of our tax position, in addition to the requirements under our financial statements. Our total Australian tax contribution by way of taxes, duties and excise during the 2021 year was over $5.8 billion. Over the last three years that contribution has been approximately $16.5 billion.

To view our *Taxes Paid Report 2021* visit vivaenergy.com.au/investor-centre/company-reports

Total tax contribution $M	2019	2020	2021
Income tax	26.2	-	**30.9**
Fuel excise	4,296.9	4,102.2	**4,631.0**
Customs duty	14.2	19.8	**10.3**
Payroll tax	9.0	10.4	**9.4**
Fringe benefits tax	0.8	0.8	**0.7**
Land tax	14.2	22.9	**25.7**
Government imposts collected by the business on behalf of others:			
GST	1,090.8	852.0	**1,100.8**
PAYG withholding	67.3	60.3	**65.1**
Total tax contribution	5,519.4	5,068.4	**5,873.9**

Cyber security

In 2021 the public profile and importance of cyber security continued to increase. The Federal Government has taken a more prominent role in the oversight of critical infrastructure assets and systems considered to be of National Significance. The critical infrastructure reform means cyber security changes will add to the current state regulatory framework. We continue to engage with the relevant state and federal agencies to meet these requirements.

The use of information systems and operational technology is important to Viva Energy's ability to efficiently produce and distribute products to our customers. We must also protect sensitive business and personal data – we recognise our responsibility in the supply chain and work closely with our partners, critical asset owners and customers to maintain confidentiality, integrity and awareness. Viva Energy is focused on ensuring that effective cyber security measures are implemented and followed to minimise disruption and maintain customer trust.

Our Information Security Management System is aligned with global best practices and ensures a continual cycle of review and improvement of cyber security risks and controls. Viva Energy's Audit and Risk Committee has oversight with cyber security a standing agenda item.

Improvements in 2021 focused on increasing visibility of threat activity, risk management, resilience and improving users' ability to identify and handle cyber threats. No notifiable data breaches occurred during 2021.

Economic contribution

We support the Australian economy through the national scope of our operations, the products we supply, the employment we generate directly and indirectly, our support for local suppliers, investor returns and the taxes we collect and pay.

Our vision is to become a diversified energy supplier that:

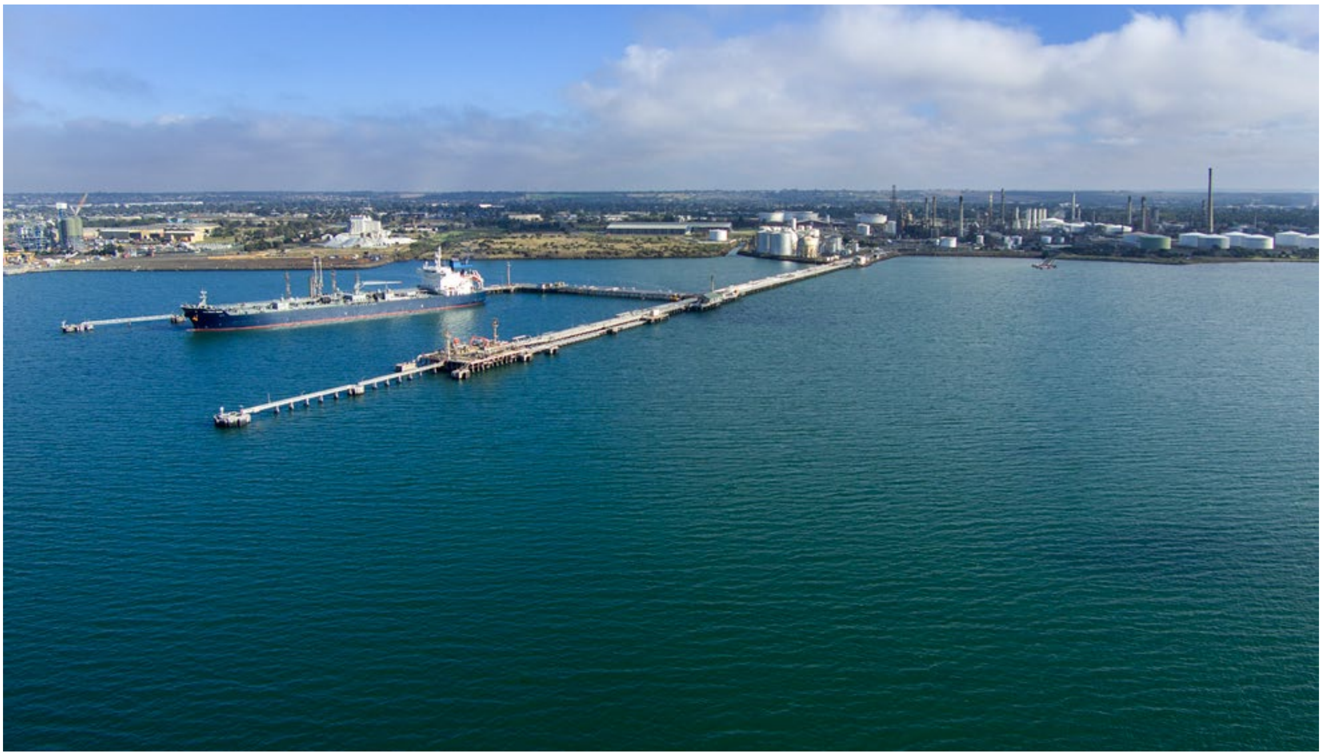
- Meets the country's energy security needs through local manufacturing
- Supports existing jobs and generates new ones
- Supports economic development in the region
- Actively participates in the low-carbon energy transition.

2021 Performance and progress

- Long-term Fuel Security Package (FSP) in place with the Federal Government to support Australia's energy security and enhance the long-term viability of the domestic refining sector
- Maintained safe and reliable fuel supply during COVID-19
- Progressed the design, feasibility and environmental impact assessments for our proposed Gas Terminal at Geelong
- Employed over 1,447 people with 43% of our workforce located in regional areas.

2022 Priorities

- Continue to provide skilled manufacturing jobs at Geelong Refinery and pursue opportunities to develop new roles to support the Energy Hub initiatives, and development of new energies
- Readiness for commencement of Mandatory Stockholding Obligations (MSO) by mid-2022
- Commence construction of new diesel storage as part of the 'Boosting Australia's Diesel Storage' Program
- Progress the Gas Terminal Project through approvals processes and investment decision, with potential to meet forecast gas shortfall in south-eastern Australia
- Use of local materials in new major projects
- Consider the use of First Nations owned and operated suppliers.



Supporting Australia's economy

$1.4B
invested in local wages and services

$5.87B
Total tax contribution

Over **1,447** strong Australian workforce **43%** based in regional areas

On average, we re-fuel
1.48M
trucks, buses, cars and motorcycles every week across the Alliance network

Network of **55** fuel import terminals and depots[2]
and over **50** airports and airfields across Australia

1.2B
litres of storage capacity

Leading supplier
for lubricants and diesel in the resources market

Viva Energy supplies:

Approximately **¼** of Australia's fuel needs

National network of **1,340+** retail service stations

Approximately **40%** of the marine fuel oil market

Approximately **35%** of jet fuel nationally

Geelong Energy Hub

Proudly supporting local manufacturing at the Geelong Refinery –
1 of 2[1] refineries
in Australia

Plans for development:

- Gas Terminal Project
- Solar farm project
- New Energies Service Station for hydrogen refuelling

Only major Australian manufacturer of avgas, solvents and bitumen

avgas solvents bitumen

Manufactures Low Aromatic Fuel for supply into NT, QLD and WA

712
people (employees and contractors) work at the Refinery and **276** additional contractors during major maintenance

Supplies **90%** of marine fuels for Victorian commercial shipping and Spirit of Tasmania

50%+
of the Port of Geelong's trade

1. BP Kwinana ceased refining operations in February 2021 and ExxonMobil Altona ceased refining operations in September 2021.
2. Includes 24 fuel import terminals and network of 31 active depots (including 26 Liberty Oil Australia depots).

Supporting Australia's economy and fuel security

By the end of 2021 the Geelong Refinery was one of only two refineries remaining in Australia. It supplies over 10% of Australia's fuel and approximately 50% of Victoria's fuel.

Employing over 700 people and injecting almost $230M into the local economy, the Geelong Refinery is a vital part of Australia's energy landscape. Our critical investments aim to ensure our refinery continues to provide energy security and be an important part of local manufacturing for years to come, including:

- Major maintenance, reliability and safety improvements
- Increased diesel storage capacity along with the Federal Government's Fuel Security Package
- Diversification of energy products through Geelong Energy Hub projects to support the low-carbon energy transition.

With the significant footprint of our operations and infrastructure, we are a key contributor to Australia's energy security, particularly for liquid fuels. This security underpins the Australian economy and Viva Energy remains committed to safe and reliable supply.

We also have ambitions to play a role in natural gas supply security for south-eastern Australia through our proposed Gas Terminal at Geelong, in response to a projected gas supply shortfall. In 2021 we progressed the design, feasibility and environmental impact assessments associated with the project. In 2022, the project is scheduled to progress through the relevant regulatory approval processes and, pending the outcome of these, Final Investment Decision.

The Gas Terminal is proposed to be operational in 2024, and on commissioning would be connected to the largest gas market in Australia, able to bring gas from other parts of Australia and overseas to fill the projected shortfall. As gas demand reduces through the low-carbon energy transition in the coming decades, the floating regasification vessel associated with the project can be easily removed.

For more information on the proposed Gas Terminal Project, visit vivaenergy.com.au/energy-hub/gas-terminal-project

Fuel Security Package

In 2021, Viva Energy worked closely with the Federal Government to implement a long-term Fuel Security Package (FSP) to support Australia's refining industry and fuel security. The FSP acknowledges the importance of refining to the country's broader energy security and enhances the long-term viability of the domestic refining sector.

The FSP includes:

- A Fuel Security Services Payment (FSSP) when refining margins are poor
- The introduction of industry Minimum Stockholding Obligations (MSO)
- Capital contributions towards refinery upgrades to allow production of Ultra-Low Sulphur Gasoline (ULSG), and bringing forward the timeline for ULSG implementation to by the end of 2024
- Capital contributions to building diesel storage as part of the Boosting Australia's Diesel Storage Program.

As part of the FSP, Viva Energy makes a commitment to maintain refining operations through to 30 June 2028, with an option to extend until 30 June 2030.

Viva Energy welcomed the support to the refining sector in Australia, which has faced several structural headwinds in recent years from challenging global trading conditions – including increased competition from Asian refinery imports, and significant impacts on demand from the pandemic. Refineries provide a critical role in energy security, through their crude conversion capability and substantial inventory positions.

The structure of the FSP allows us to commit to the significant capital program required through the refinery's life cycle. The structure of the FSP is not designed to underpin or support profits of Geelong Refinery, but to partially mitigate the downside risk of low refining margin cycles that Australian refineries are exposed to. Reducing this risk gives us confidence to proceed as we seek to invest in the future of the Geelong site as part of our Energy Hub.

Our vision for the Geelong Energy Hub is to transition the refining site to supplying multiple sources of energy as part of the longer-term goal of energy transition to a lower-carbon economy. This vision is supported by a commitment to improved fuel standards through the advancement of ULSG fuel specifications, and further harmonisation to Euro 6 vehicle emission standards. For more, refer to Fuel standards on page 63.

We look forward to a period of substantial investment in Geelong.

Minimum Stockholding Obligations

The Federal Government has announced plans to introduce a Minimum Stockholding Obligations (MSO) for main grade fuels (petrol, jet fuel and diesel) across the fuel industry in Australia.

The first stage will start on 1 July 2022 and is designed to maintain current average product levels in the country; stored holdings of fuel equalling national consumption coverage of 24 days for petrol, 20 days for diesel and 24 days for jet fuel. The second stage is slated for 1 July 2024 and requires an increase of national diesel holdings, given the importance of this fuel type to many economic sectors.

The MSO will apply to Viva Energy, however, refineries are exempt from the increased diesel requirements at an asset level. The crude held by refineries will be counted toward the product holding requirements on a notional converted product basis. MSO settings are currently under discussion with government with overall impact to industry yet to be determined. We expect these settings to support our commitment to continue operating the Geelong Refinery. Viva Energy expects to be compliant with the scheme from commencement.

Viva Energy has secured a grant for up to 50% (maximum $33.3M) of the cost of building an additional 90 million litres of diesel storage at Geelong Refinery by mid-2024, with the total project expenditure estimated to be between $75M-$85M. Subject to regulatory approvals, construction of the new diesel storage is expected to commence in 2022 with planned completion by mid-2024, prior to the introduction of stage 2 of the MSO.

For more information on this see: vivaenergy.com.au/energy-hub/strategic-supply-and-storage

Reporting and governance

About our reporting

This report sets out our sustainability focus areas and performance, covering assets owned and operated by the Viva Energy Group for the period 1 January to 31 December 2021 (unless otherwise stated).

This report has been prepared with reference to the Global Reporting Initiative (GRI) Standards and supplementary GRI Oil and Gas Sector disclosure guidance. We have also identified the UN Sustainable Development Goals (SDGs) that align with our focus areas throughout this report. Our climate change and energy transition focus area disclosures are aligned with the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

In addition to this report, please also refer to the *Sustainability Data Supplement 2021* for:

- Stakeholder Engagement
- Sustainability Performance Data
- Climate risk and opportunity table
- TCFD content index
- UN Sustainable Development Goals; alignment, activities, and focus areas
- Global Reporting Initiative (GRI) content Index
- Glossary.

In 2021, we completed further assessments in accordance with the *Australian Modern Slavery Act 2018* (Cth). Our second Modern Slavery Statement was issued in early 2022.

We also report our gender diversity performance to the Workplace Gender Equality Agency (WGEA). Both reports are available at investor.vivaenergy.com.au/investor-centre

SUSTAINABLE DEVELOPMENT GOALS

Aligning with UN Sustainable Development Goals

This report maps our sustainability focus areas against UN Sustainable Development Goals (SDGs).

We believe our business has an opportunity to contribute to these broader goals by enhancing our positive contributions and avoiding or mitigating negative impacts.

Our business contributes to sustainable development in a number of ways including:

- Providing access to affordable energy
- Opportunities for decent employment
- Business and skills development
- Investment in our communities
- Substantial tax contribution
- Improved energy and transport infrastructure
- Managing the impacts of our operations by emphasising environmental protection, health and safety, and human rights.

We recognise that our industry has contributed to some of the challenges – like climate change – the SDGs seek to address.

For further information on UN SDG alignment, performance and actions in 2021, refer to page 15 of the *Sustainability Data Supplement 2021.*

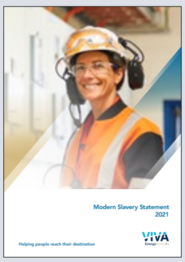
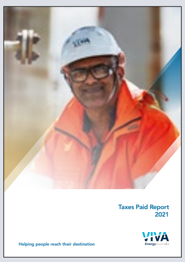
Our 2021 sustainability reporting suite is available on our website

This Sustainability Report is also provided as an extract version titled *Sustainability Report 2021* which is a direct excerpt from this Annual Report 2021, including aligning page numbers. These reports are available at vivaenergy.com.au/sustainability.

2021 reporting suite:

- Annual Report 2021
- Sustainability Report 2021
- Sustainability Data Supplement 2021
- Modern Slavery Statement 2021
- Taxes Paid Report 2021
- Corporate Governance Statement 2021




Assessing our performance

We benchmark our progress using leading sustainability indices and surveys including:

- ISS (Governance, Environmental & Social Disclosure Quality Score)
- MSCI ESG
- Sustainalytics
- S&P Global Corporate Sustainability Assessment (CSA).

Viva Energy was recognised as a top performing Australian company for corporate sustainability in 2021, with its inclusion on the Dow Jones Sustainability Index Australia. We were also recognised by the Australian Council of Superfund Investors (ACSI) as a "leading" reporter, which is the highest level of recognition.

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

We continued to respond to individual requests for sustainability information and performance data from investors, proxy advisers, government agencies and customers.

> Read more about supporting data for the report in our *Sustainability Data Supplement 2021* at vivaenergy.com.au/sustainability

External assurance

We engaged an independent external assurance organisation, PricewaterhouseCoopers (PwC), to provide the Directors of Viva Energy Group with limited assurance on the following material sustainability performance data metrics covered in the Annual Report 2021 and *Sustainability Data Supplement 2021.*

- Lost Time Injuries / Frequency Rate
- Total Recordable Injuries / Frequency Rate
- Total Tier 1 / Tier 2 Process Safety Events
- Significant Spills
- total employees
- gender split (male / female) (%)
- Senior Leadership Group (male / female) (%)
- total greenhouse gas emissions (Scope 1 and 2)
- total energy consumed.

PwC's assurance statement can be found on pages 87-88.

Sustainability governance

The Board of Viva Energy Group Limited has oversight of sustainability matters, including how these are integrated into corporate strategy and risk management systems. The Board is supported in this role on sustainability matters by various committees, including:

- **Strategy and Investment Committee**, which assists in the oversight of the Group's strategic plans, including Energy Transition and business sustainability strategy, and capital allocation
- **Sustainability Committee**, which assists in reviewing the Group's sustainability performance, compliance and disclosures, including in relation to health, safety, security and environment (HSSE) matters, and greenhouse gas emissions
- **Audit and Risk Committee** (ARC), which assists in the oversight of the management of risks relevant to our business, including HSSE risks and climate risks, and the Group Enterprise Risk Management Framework.

In 2021, the Group's sustainability and climate change leadership structure and functional responsibilities were enhanced. Executive accountability for new energies and sustainability strategy, and external engagement was centralised through the establishment of the Chief Business Development and Sustainability Officer role. A dedicated Sustainability function was established to lead and coordinate our climate and broader sustainability program.

Accountability for sustainability and climate-related matters and performance rests with our Executive Leadership Team (ELT). To facilitate ELT direction and oversight of these matters, Sustainability Management Committees were expanded from the existing Health, Safety, Security and Environment (HSSE) Committee, with the establishment of a Climate Change Committee and a People and Community Committee.

At an operational level, accountability for sustainability performance rests with the asset managers across the business. This includes the Executive General Manager Refining, General Manager Distribution, and other key operational staff.

We also have Executive-sponsored working groups in place to promote and support our Inclusion and Diversity Strategy, including: Pride Committee; Reconciliation Action Plan (RAP) Committee; and Cultural Diversity Collective.

Sustainability report continued

Viva Energy's governance structure and committee functions relevant to sustainability performance and oversight are summarised below.

Specifically, the Climate Change Management Committee includes all ELT members and senior management representatives from our operational and New Energies teams. It meets on a quarterly basis to monitor our operational emissions performance, steer the development and implementation of our Energy Transition Strategy and provides input to the Board.

In 2021, the Board and its Committees were engaged on the following climate-related matters:

- Reviewing and discussing the Group's strategy, risks, and opportunities
- Reviewing the Enterprise Risk Management Framework and whether the business is performing with due regard to the risk appetite set by the Board
- Reviewing management's Energy Transition Strategy, and associated initiatives and investments
- Receiving updates on Management's TCFD alignment status and disclosures
- Receiving updates on the Group's greenhouse gas emissions and energy performance
- Reviewing Management's emissions reduction plans and commitments
- Receiving briefings on external legal and reputational developments relating to climate change action and emissions reduction commitments.

The Group's Remuneration Framework includes sustainability-related scorecard metrics for safety, environmental (spill), female representation in management/leadership, and employee engagement performance. For 2022, the scorecard framework has been updated to include progress towards achieving the Group's emissions reduction targets.

Industry associations

We engage with and participate in a range of industry associations and forums on sustainability issues. This enables us to contribute to policy and regulatory developments, and stay informed and collaborate on emerging sustainability trends and best practice.

In 2021, Viva Energy was a member of or participant in the following associations and forums with sustainability-related matters as their primary focus, or through subordinate working groups:

- Australian Environment Business Network (AEBN)
- Australian Hydrogen Council
- Australian Industry Greenhouse Network (AIGN)
- Australian Institute of Petroleum (AIP)
- Bioenergy Australia
- Champions of Change Coalition
- Climate Leaders Coalition (CLC)
- Institute of Chemical Engineers Safety Centre (iChemE)
- LASTFIRE
- Maritime Industry Australia Limited (MIAL)
- Reconciliation Australia (RA)
- Workplace Gender Equality Agency (WGEA).

Independent assurance statement

Independent Limited Assurance Report to the Board of Directors of Viva Energy Group Limited

What we found

Based on the work described below, nothing has come to our attention that causes us to believe that the selected subject matter within the Viva Energy Group *Annual Report 2021* and Viva Energy Group *Sustainability Data Supplement 2021* (together, the **Viva Energy Group Sustainability Reporting 2021**) has not been prepared, in all material respects, in accordance with the Reporting Criteria. This conclusion is to be read in the context of the remainder of our report.

What we did

Viva Energy Group Limited (**Viva Energy Group**) engaged us to perform a limited assurance engagement on the selected subject matter within the Viva Energy Group *Sustainability Reporting 2021*.

Subject matter

The scope of our work was limited to assurance over the selected subject matter within the Viva Energy Group *Sustainability Reporting 2021*. The selected subject matter and the reporting criteria against which it was assessed is summarised below. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Viva Energy Group *Sustainability Reporting 2021*.

Entity (consolidated)	Performance Indicator (for the year ended 31 December 2021 unless otherwise stated)
Viva Energy Group Limited	• Total Employees • Gender Split (Male / Female) (%) • Senior Leadership Group (Male / Female) (%) • Total greenhouse gas emissions (Scope 1 and 2) for the year ended 30 June 2021 • Total energy consumed for the year ended 30 June 2021
Viva Energy Group Limited (excluding Liberty Oil Holdings)	• Total Lost Time Injuries • Total Lost Time Frequency Rate (per million hours) • Total Recordable Injuries • Total Recordable Injuries Frequency Rate (per million hours) • Total Tier 1 Process Safety Events • Total Tier 2 Process Safety Events • Significant spills
Liberty Oil Holdings	• Total Lost Time Injuries • Total Lost Time Frequency Rate (per million hours) • Total Recordable Injuries • Total Recordable Injuries Frequency Rate (per million hours) • Total Tier 1 Process Safety Events • Total Tier 2 Process Safety Events • Significant spills

Reporting Criteria

The Selected subject matter needs to be read and understood together with the Reporting Criteria, being the boundaries, definitions and methodologies disclosed within the Viva Energy Group *Sustainability Data Supplement 2021*, which Viva Energy Group is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Our Independence and Quality Control

We have complied with relevant ethical requirements related to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibilities

PricewaterhouseCoopers

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the selected subject matter is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of Viva Energy Group.

Viva Energy Group

Viva Energy Group management are responsible for:

- preparing the selected subject matter as well as the Viva Energy Group *Sustainability Reporting 2021* in its entirety;
- the prevention and detection of fraud and error in relation to the selected subject matter;
- the design and operation of controls to ensure the completeness and accuracy of information within the Viva Energy Group *Sustainability Reporting 2021*, including but not limited to the Selected subject matter; and
- Determining suitable reporting criteria for reporting the selected subject matter within the Viva Energy Group *Sustainability Reporting 2021* and publishing those criteria such that they are available to expected users of the report.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, GPO BOX 2650 Sydney NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

pwc

What our work involved

We conducted our work in accordance with the Australian Standard on Assurance Engagements 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Revised)* and the Australian Standard on Assurance Engagements 3410 *Assurance Engagements on Greenhouse Gas Statements*. These Standards require that we comply with independence and ethical requirements and plan the engagement so that it will be performed effectively.

Main procedures performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected subject matter. The main procedures we performed were:

- Enquiring of relevant management of Viva Energy Group regarding the processes and controls for capturing, collating, calculating and reporting the Selected subject matter, and evaluating the design and operational effectiveness of selected controls;
- Testing the classification of incidents included within the calculation of the Selected subject matter, on a sample basis, to relevant underlying records including incident reports;
- Testing the exposure hours used within the calculation of the Selected subject matter, on a sample basis, to relevant underlying contractor and swipe card data;
- Testing the arithmetic accuracy of a sample of calculations of the Selected subject matter;
- Assessing the appropriateness of the greenhouse gas emission factors and methodologies applied in calculating the Selected subject matter;
- Agreeing the Selected subject matter to underlying data sources and calculations; and
- Undertaking analytical procedures over the performance data utilised within the calculations and preparation of the Selected subject matter.

We believe that the information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

John Tomac

PricewaterhouseCoopers

John Tomac
Partner
18 March 2022

PricewaterhouseCoopers
Sydney

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

Limited assurance

This engagement is aimed at obtaining limited assurance for our conclusions. As a limited assurance engagement is restricted primarily to enquiries and analytical procedures and the work is substantially less detailed than that undertaken for a reasonable assurance engagement, the level of assurance is lower than would be obtained in a reasonable assurance engagement.
Professional standards require us to use negative wording in the conclusion of a limited assurance report.

Restriction on use

This report including our conclusions, has been prepared solely for the Board of Directors of Viva Energy Group Limited in accordance with the agreement between us, to assist the directors in reporting on the selected subject matter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Viva Energy Group for our work or this report except where terms are expressly agreed between us in writing.

We permit this report to be disclosed in the Viva Energy Group Annual Report 2021 to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the selected subject matter.

Remuneration report

Letter from the Remuneration and Nomination Committee Chair – Robert Hill

Dear Shareholders,

On behalf of the Board, I am pleased to present Viva Energy's 2021 Remuneration Report.

Our performance

During 2021 the pandemic continued to dominate the macro environment. Sales in our largest Victoria and New South Wales markets and Aviation sectors were particularly impacted by extended lockdowns and border closures, with uncertain demand putting pressure on our operations and supply chains. We have maintained a strong focus on health and wellbeing and ensuring that we operate safely and reliably to serve our customers and the broader community through this period.

Strong operational performance, underlying sales growth and cost management have supported a very strong financial performance across all businesses. For 2021, we reported an Underlying Group EBITDA (RC) of $484.2M, which is an improvement of 98% on the 2020 result and 23% on pre-pandemic performance reported for 2019.

During 2021, management also made strong progress on many key strategic priorities, including working with the Federal Government to successfully finalise the fuel security package which has transformed the long-term outlook for the refining business, progress the Geelong Gas Terminal Project through FEED, completing the return of a further $100M to shareholders from the Waypoint REIT divestment and laying down commitments and plans to reduce the Company's carbon emissions.

The Board is very pleased with the performance of the management team in 2021 and the tangible results delivered for our shareholders.

2021 Remuneration outcomes

Taking account of the strong operational and financial performance, and success against key strategic priorities in the face of challenging conditions, the Board has awarded 86.3% of the maximum STI to executive KMP for performance in 2021.

The 2019-2021 LTI, which comprises performance conditions relative Total Shareholder Return (rTSR) (50%), Return on Capital Employed (ROCE) (25%) and cumulative Free Cash Flow (FCF) (25%), reached the end of its three-year performance period on 31 December 2021.

While the ROCE condition was not met, the Board determined the FCF condition was met at stretch ($967M normalised FCF over the performance period) and rTSR performance condition at threshold (26.86% TSR delivered over the performance period) resulting in a final LTI outcome approved by the Board of 50% of maximum opportunity.

Further detail on the STI and LTI plans, and the Board's assessment of outcomes for 2021, is set out in sections 1.1 and 5 of the Remuneration Report.

Looking ahead – 2022 remuneration

The Board completed a review of the fixed and variable remuneration arrangements for our Executive KMP in early 2022.

Since listing on ASX in 2018, the Board has disclosed its intention to review the competitiveness of the CEO's remuneration package to ensure that he is properly remunerated for the value he delivers to the Company and continues to be engaged and retained. In last year's Remuneration Report, the Board disclosed that it would address the CEO's remuneration re-alignment in a staged approach with the first stage disclosed and implemented in 2021 with an increase to his TFR effected through a combination of cash and Restricted Stock Units (RSUs) that are subject to a further combined two-year service and deferral period. In accordance with that stated intention, the Board will make a second and final adjustment to the CEO's remuneration in 2022.

The Board has also approved some modifications to our 2022 LTI to better align performance measures with the Company's long-term strategic objectives.

While these changes do not form part of the remuneration arrangements for 2021, in the interests of transparency, the Board has provided information on these and other changes in section 10 for shareholders to consider.

I hope you find this Remuneration Report informative and, as always, we welcome your feedback.

Yours faithfully,

Robert Hill

Robert Hill

Remuneration report – contents

1. 2021 at a glance

This section provides a high-level summary of the remuneration outcomes for 2021 for the Executive Key Management Personnel (**KMP**). Further detail is provided in the remaining sections of this report.

Highlights and outcomes

- Continued effective response to the pandemic and rising levels of infection in the community, with the business operating safely and reliably throughout the year, without disruption to customers.
- Increased Retail market share by 2% across all retail channels, and continued refreshment of the Coles Express network together with our partner Coles.
- Earnings growth in Commercial despite continued impact from border closures on Aviation and Marine segments.
- Refining segment returned to profitability during quarter four supported by improvements in regional refining margins and strong production performance.
- Delivered Underlying Group EBITDA (RC) of $484.2M, an improvement of 98% on the 2020 result and an improvement of 23% on pre-pandemic performance reported for 2019.
- Returned a further $100M to shareholders from the Waypoint REIT divestment via a capital return and a further $18M via an on-market buy back.
- Worked with the Federal Government to successfully finalise the fuel security package, which has transformed the outlook for the refining business. Secured Federal Government funding for construction of diesel storage at Geelong.
- Made strong progress on the Geelong Gas Terminal Project and entered into an expanded partner group with substantial international experience in LNG regasification terminals. Further, the Company has completed FEED, signed a Head of Agreement (HOA) to charter an FSRU and made substantial progress on the EES.
- Set out commitments to reduce the Company's carbon emissions and announced net zero ambition. Signed MOU with Waga Energy for renewable natural gas recovery from landfill, launched Carbon Neutral Jet Fuel, and is progressing feasibility for construction of a Hydrogen production and refuelling facility at the Geelong Energy Hub, supported by possible behind-the-meter solar farm.
- The Executive KMP earned 86.3% of the maximum STI, reflecting the very strong result delivered in 2021 and significant progress on key strategic priorities.
- The Executive KMP earned 50% of the 2019-2021 LTI with the Board determining the FCF condition was met at stretch ($967M normalised FCF over the performance period) and rTSR performance condition at threshold (26.86% TSR delivered over the performance period). The ROCE condition was not met and this portion of the award lapsed.

The final outcomes approved by the Board are shown below.

2021 STI outcome

Executive KMP	STI outcome (% of maximum opportunity)	Total STI award	STI award provided in cash	STI award provided in Share Rights[1]
Scott Wyatt	86.3%	$1,324,490	$662,245	$662,245
Jevan Bouzo	86.3%	$690,000	$345,000	$345,000

1. Share Rights (to be granted in March 2022) will vest into shares in two equal tranches, on 1 January 2023 and 1 January 2024, subject to conditions as set out in section 4.2. The number of Share Rights granted to each Executive KMP is determined by dividing the dollar value of the STI award to be provided in Share Rights by $2.0311, being the weighted average share price of the Company's shares over the performance period 1 January 2021 to 31 December 2021.

2019-2021 LTI outcome

	Number of 2019 PR granted	% of 2019 PR vested	Number of 2019 PR vested	Value of 2019[1] PR vested	Number of 2019 PR lapsed	% of 2019 PR lapsed
Executive KMP						
Scott Wyatt	541,198	50%	270,599	$673,792	270,599	50%
Jevan Bouzo	270,599	50%	135,299	$336,895	135,300	50%
Former Executive KMP						
Thys Heyns[2]	270,599	–	–	–	270,599	100%

1. Calculated based on share price of $2.49, being the closing share price on the date of vesting on 20 February 2022.
2. Unvested 2019 PR held by Thys Heyns lapsed upon his retirement from the Company on 31 March 2021.

2. Overview

2.1. Introduction

This report has been prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*. The content in this report has been audited by PricewaterhouseCoopers, the Company's external auditor.

The Company is required to prepare a remuneration report in respect of KMP, being those people that have responsibility and authority for planning, directing and controlling the activities of Viva Energy, either directly or indirectly. In 2021, the KMP were the Non-Executive Directors and designated executives.

2.2. Details of KMP

The following individuals were KMP of the Company in 2021.

Name	Title	Term as KMP
Non-Executive Directors		
Robert Hill	Chairman and Independent Non-Executive Director	18 June 2018 – current
Arnoud De Meyer	Independent Non-Executive Director	18 June 2018 – current
Dat Duong	Non-Executive Director	7 June 2018 – current
Michael Muller	Non-Executive Director	1 October 2020 – current
Sarah Ryan	Independent Non-Executive Director	18 June 2018 – current
Nicola Wakefield Evans	Independent Non-Executive Director	3 August 2021 – current
Former Non-Executive Directors		
Jane McAloon	Independent Non-Executive Director	18 June 2018 – 24 August 2021
Executive KMP		
Scott Wyatt	Chief Executive Officer and Managing Director	7 June 2018 – current
Jevan Bouzo	Chief Operating and Financial Officer (acted as Chief Financial Officer until taking on the expanded role of Chief Operating and Financial Officer on 1 March 2021)	7 June 2018 – current
Former Executive KMP		
Thys Heyns	Chief Operating Officer	1 June 2020 – 31 March 2021

3. Executive remuneration – overview

3.1. Executive remuneration objectives

The overall objectives of executive remuneration at Viva Energy are to:

- drive sustainable value creation for our shareholders;
- drive appropriate behaviours and culture;
- attract and retain high-calibre talent; and
- ensure remuneration is well understood and transparent.

To achieve these objectives, the Board seeks to set executive remuneration at levels that are competitive in the market (for ASX-listed companies comparable in terms of size, complexity and industry to the Company), and also to appropriately reward the leadership team for achieving long-term sustainable growth. The Board reviews the executive remuneration objectives and levels on an annual basis.

3.2. 2021 Executive remuneration framework – overview

The 2021 executive remuneration framework is summarised below.

	FIXED ELEMENTS	VARIABLE ELEMENTS		
	Total Fixed Remuneration (TFR)	Short Term Incentive (STI)		Long Term Incentive (LTI)
How it is delivered	Cash (for the CEO, the 2021 TFR was delivered through a combination of cash and Restricted Stock Units (RSUs) that are subject to a combined two-year service and deferral period)	Cash	Equity (Share Rights)	Equity (Performance Rights)
How it works	Base salary and superannuation	50% paid in cash	50% deferred into Share Rights, which vest into shares in two equal tranches 12 and 24 months after the grant	Performance Rights are allocated at face value at the beginning of the three-year performance period. Subject to performance conditions being met, some or all of the Performance Rights may vest into shares
What it does	Enables Viva Energy to motivate, engage and retain the calibre of executives that can execute the Company's strategy and continue to deliver value to shareholders	Rewards execution on annual performance against a balanced scorecard of performance measures focused on financial (60%), individual personal objectives aligned with the Company's strategic goals (30%) and safety, environment and people outcomes (10%) STI Deferral creates further alignment with shareholders and acts as a retention instrument		Drives the delivery of Viva Energy's long-term objectives in a sustainable manner, provides alignment with the interests of shareholders and encourages long-term value creation Vesting of the Performance Rights is conditional on achieving against a scorecard of performance conditions over a three-year performance period, focused on relative Total Shareholder Return (50%), Free Cash Flow per share (25%) and Return on Capital Employed (25%)

Prior to the Company's listing on the ASX in 2018, the previous owners put in place an incentive plan referred to in this report as the Legacy LTI. The program previously acted to motivate executives to transform and grow the value of the business through to a potential exit event (such as listing on the ASX). The last of the Legacy LTI tranches of options vested for the Chief Executive Officer (CEO) and Chief Operating and Financial Officer (COFO) in January 2020 and January 2022 respectively and they no longer hold any Legacy LTI options. No further grants will be made under the Legacy LTI.

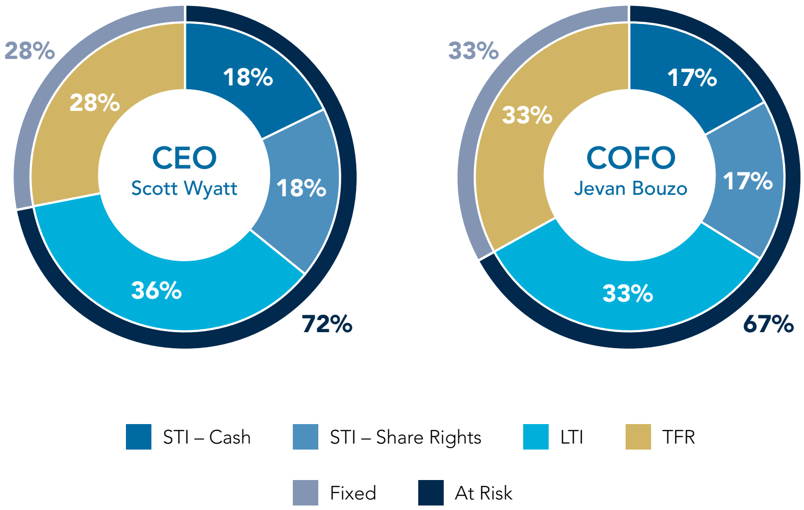
3.3. Minimum Shareholding Policy

The Board has adopted a Minimum Shareholding Policy which requires each member of the KMP (other than Non-Independent, Non-Executive Directors) to accumulate a minimum shareholding equivalent to 100% of their Total Fixed Remuneration within five years of the date on which they became KMP, and to maintain such minimum shareholding for so long as they remain KMP. Our KMP either already meet or are on track to meet this requirement.

3. Executive remuneration – overview continued

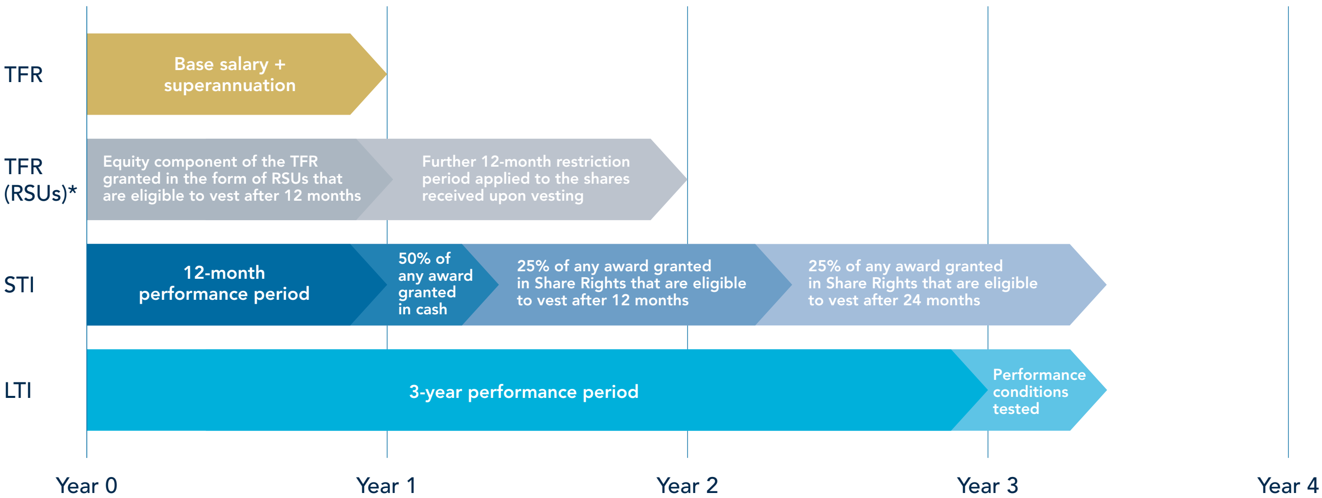
3.4. 2021 Executive remuneration mix

The weighting of each remuneration component of an executive's total remuneration opportunity in 2021 was aligned to the objectives of the executive remuneration framework outlined in section 3.1, in particular driving sustainable value for the Company. The following diagrams[1] set out the weighting of each remuneration component for the CEO and COFO based on their maximum potential STI and LTI opportunities and do not represent actual remuneration received for 2021.



1. For the CEO, the 2021 TFR was delivered through a combination of cash and Restricted Stock Units (RSUs) that are subject to a combined two-year service and deferral period.
2. Thys Heyns held the position of COO until he retired from the Company on 31 March 2021. Under the terms of his resignation, Mr Heyns was not eligible to participate in the 2021 STI and 2021 LTI.

3.5. Executive remuneration delivery timeline – 2021 awards



* Applicable only for the CEO.

4. 2021 Executive remuneration framework – in more detail

The components of the 2021 executive remuneration framework are explained in detail below.

4.1. Total Fixed Remuneration (TFR)

TFR is comprised of base salary and superannuation. For the CEO, the 2021 TFR was delivered through a combination of cash and Restricted Stock Units (RSUs) that are subject to a combined two-year service and deferral period.

4.2. 2021 Short Term Incentive (STI)

Viva Energy established an STI Plan to reward Executive KMP and other members of the executive team for strong performance levels and contributions to the Company over a 12-month performance period.

STI performance is assessed against a balanced scorecard comprised of a robust set of performance measures, which drive the Company's short-term financial, strategic and operational objectives and set the platform for long-term success. The Board retains overall discretion to adjust outcomes as appropriate.

Further information about the 2021 STI Plan is set out below. Please refer to section 5.2.1 for STI performance outcomes for 2021.

Opportunity	CEO (Scott Wyatt) • Target: 67% of TFR • Maximum: 134% of TFR	COFO (Jevan Bouzo) • Target: 50% of TFR • Maximum: 100% of TFR
Performance period	Performance was assessed over a 12-month performance period from 1 January 2021 to 31 December 2021	
Performance measures	For 2021, the following performance measures and weightings applied to the Executive KMP.	

Category	Measure	Weighting
Financial	• Underlying Group EBITDA (RC)	60%
Personal objectives	• A mix of individual and Group objectives	30%
Safety, environment & people	• TRIFR (Total Recordable Injuries/Frequency Rate)[1] • API Tier 1 and 2 incidents[1] • LOPCs > 100kg[2] • Medium/High PQ incidents[3] • Employee engagement • Representation of women • Women in management and leadership	10%
Total		100%

2021 target and maximum opportunity	The maximum stretch opportunity for each performance measure was set at 200% of target. For each performance measure, a threshold level of performance was also set. This level had to be met to receive any STI.
Governance and approval process	The CEO's STI outcome was recommended by the RNC based on his performance, and any other relevant considerations, and was approved by the Board. The STI outcome for the COFO was recommended by the CEO to the RNC based on the executive's performance and any other relevant considerations, and was approved by the Board. The Board had the ability to apply discretion in determining the STI outcomes to ensure they were appropriate.
Delivery	STI is provided as a mix of cash and deferred equity as follows: • 50% in cash; and • 50% in Share Rights, with 50% of those Share Rights eligible to vest on 1 January 2023 and the other 50% eligible to vest on 1 January 2024. A Share Right entitles the participant to receive one ordinary share for nil consideration if the Share Right vests.
Voting and dividends entitlements	Unvested Share Rights do not carry dividend or voting rights. For each Share Right that vests, the participant will receive a cash payment equivalent to the dividends paid by the Company on a share during the period between 1 January 2022 and the relevant vesting date.

4. 2021 Executive remuneration framework – in more detail continued

4.2. 2021 Short Term Incentive (STI) continued

Restrictions on dealing	Holders of Share Rights must not sell, transfer, encumber or otherwise deal with Share Rights unless the Board allows it or the dealing is required by law. Additionally, in no circumstances will a holder of Share Rights be able to hedge or otherwise affect their economic exposure to the Share Rights before they vest. Holders of Share Rights will be free to deal with the ordinary shares allocated on exercise of Share Rights, subject to the requirements of Viva Energy's Securities Trading Policy.
Cessation of employment	If a participant ceases to be employed and is considered to be a Good Leaver, any unvested Share Rights that have been granted as part of the 2021 STI will remain on foot, unless the Board determines otherwise in its absolute discretion. If the participant ceases to be employed and is not a Good Leaver, any unvested Share Rights granted as part of the 2021 STI will lapse. Generally, a participant will be a Good Leaver unless their employment is terminated for cause or the participant resigns.
Change of control	The Board may determine in its absolute discretion that all or a specified number of a participant's Share Rights will vest on a change of control.

1. TRIFR and API Tier 1 and 2 measures are industry standard safety performance metrics that reflect personal safety and process safety performance (respectively).
2. Loss of Primary Containment. This measures the incidents resulting in the uncontrolled or unplanned release of material from a process or storage that serves as primary containment.
3. Product quality incidents that have a medium or high consequence risk rating measured against Viva Energy's Risk Assessment Matrix.

4.3. 2021-2023 Long Term Incentive (LTI)

Viva Energy has established an LTI Plan to assist in the attraction, motivation, retention and reward of the Executive KMP and other members of the Executive Leadership Team.

The LTI Plan is designed to reward long-term performance, provide alignment with the interests of shareholders, and encourage long-term value creation.

We use a combination of performance conditions, which reflects our long-term financial, strategic and operational objectives and focuses on sustainable, long-term performance.

Further information on the 2021-2023 LTI Plan is set out below.

Opportunity	CEO (Scott Wyatt) • Maximum: 134% of TFR	COFO (Jevan Bouzo) • Maximum: 100% of TFR
Instrument	Performance Rights. A Performance Right entitles the participant to acquire one ordinary share for nil consideration at the end of the performance period, subject to satisfaction of the performance conditions. The Board retains discretion to make a cash payment to participants on vesting of Performance Rights in lieu of an allocation of shares.	
Grant value	Performance Rights were granted using face value methodology.	

	Condition	Weighting	Measure	Objective
Performance conditions	Relative Total Shareholder Return (rTSR)	50%	Total Shareholder Return over the period, relative to the ASX50-150 peer group (Comparator Group).	To create strong alignment between LTI outcomes and the experience of shareholders.
	Cumulative Free Cash Flow (RC) per share (FCF per share) over the performance period	25%	Cumulative FCF per share is calculated based on Underlying EBITDA (RC), normalised for market movements in AUD refining margins and adding/subtracting (as appropriate) maintenance capital expenditure, realised FX and derivative movements, dividends received from associated entities, interest and taxes paid.	This measure rewards strong cost and capital management with positive conversion of underlying earnings to cash flow to maximise cash that the Company has available to fund growth opportunities, pay dividends and repay debts.
	Average Return on Capital Employed (RC) (ROCE) for each year of the performance period	25%	Underlying EBIT (RC) divided by average capital employed (total shareholder's equity plus net debt) for each year.	This measure rewards executives for prudent management of capital to maintain positive returns on capital employed over the performance period.

Replacement cost (RC) methodology is used in calculating both the FCF and ROCE outcomes, in order to provide a truer reflection of underlying performance. This approach removes the impact of net inventory gain/(loss) caused by fluctuations in crude oil prices and foreign currency exchange rates.

The Board considers that the use of RC methodology in setting FCF and ROCE targets within the LTI is appropriate, and provides a suitable balance with the relative TSR measure.

Performance period and exercise

Performance will be assessed over a 36-month period from 1 January 2021 to 31 December 2023. Vested Performance Rights may be exercised during exercise periods aligned to the share trading windows outlined in the Company's share trading policy for up to three years after vesting.

There will be no re-testing of any of the performance conditions, and Performance Rights that do not vest after the performance conditions are tested will lapse (and expire).

4. 2021 Executive remuneration framework – in more detail continued

4.3. 2021-2023 Long Term Incentive (LTI) continued

Components

rTSR component

The percentage of Performance Rights comprising the relative TSR component that vest, if any, will be based on the Company's TSR ranking relative to the Comparator Group over the performance period, as set out in the following vesting schedule.

TSR ranking relative to the Comparator Group	% of Performance Rights that vest
Less than 50th percentile	Nil
At 50th percentile	50%
Between 50th and 75th percentile	Straight-line pro rata vesting between 50% and 100%
At 75th percentile or above	100%

FCF per share component

The percentage of Performance Rights comprising the FCF per share component that vest, if any, will be determined over the performance period by reference to the following vesting schedule:

Cumulative FCF per share over the performance period	% of Performance Rights that vest
Less than target FCF per share performance	Nil
Equal to target FCF per share performance	50%
Between target and stretch FCF per share performance	Straight-line pro rata vesting between 50% and 100%
At or above stretch FCF per share performance	100%

ROCE component

The percentage of Performance Rights comprising the ROCE component that vest, if any, will be determined over the performance period by reference to the following vesting schedule:

Average ROCE over each year of the performance period	% of Performance Rights that vest
Less than target ROCE performance	Nil
Equal to target ROCE performance	50%
Between target and stretch ROCE performance	Straight-line pro rata vesting between 50% and 100%
At or above stretch FCF performance	100%

Disclosure of FCF and ROCE targets

The Board considers that the FCF and ROCE targets are commercially sensitive as disclosure of those targets can potentially indicate the Group's margins and, as such, jeopardise Viva Energy's competitive position.

Therefore, those targets will not be disclosed during the performance period.

However, the Board will provide full details of the vesting outcomes in connection with each component of the LTI, including the levels at which the targets were set at the beginning of the performance period, following completion of the performance period. The targets and the vesting outcomes will be detailed in the Remuneration Report for the year in which the LTI will be tested.

Information on the 2019-2021 LTI targets and performance against those targets is set out in section 5.3.

Other features

Performance Rights have the same voting and dividend entitlements, restrictions on dealing, treatment on cessation of employment, and change of control provisions as the Share Rights described in section 4.2 above. For completeness, it is noted that there is no dividend equivalent payment that applies to Performance Rights.

4.4. Claw back and preventing inappropriate benefits

Under the rules governing the STI and LTI Plans, the Board has broad powers to 'claw back' incentives that it may exercise in certain circumstances (for example the Executive KMP has acted fraudulently or dishonestly, has engaged in gross misconduct, brought the Group into disrepute or materially breached their obligations to the Group). The claw back regime applies to cash STI, Share Rights granted under the STI Plan and Performance Rights granted under the LTI Plan.

4.5. Executive service agreements

Remuneration and other terms of employment for the CEO and COFO are formalised in an Employment Agreement as summarised below:

Executive KMP	Contract duration	Total fixed remuneration at the end of 2021 financial year	Termination notice period by Executive	Termination notice period by Company[1]
Scott Wyatt	Ongoing	$1,146,000[2]	12 months	12 months
Jevan Bouzo	Ongoing	$800,000	12 months	12 months

1. Viva Energy may elect to pay the executive in lieu of all or part of such notice period with any such payment to be based on the executive's TFR over the relevant period. Any payments made to the executive upon termination of employment will be limited to the maximum amount permitted by the Corporations Act.
2. The CEO's 2021 TFR was delivered through a combination of cash ($996,000) and Restricted Stock Units (RSUs) ($150,000) that are subject to a combined two-year service and deferral period.

4.6. Loans and other transactions with KMP

4.6.1 Loans to Key Management Personnel

There were no loans made to the KMP of the Company, including their personally related entities, during the year.

4.6.2 Other transactions with Key Management Personnel

There were no other transactions (as contemplated by the *Corporations Regulations 2001*) with the KMP during the year.

5. Group performance and 2021 remuneration outcomes

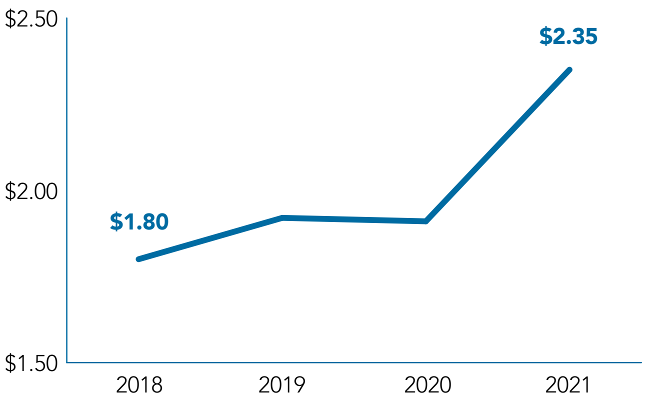
5.1. Company performance and remuneration outcomes – 2021 and historical

The table below outlines the Company's performance for the years 2018 to 2021.

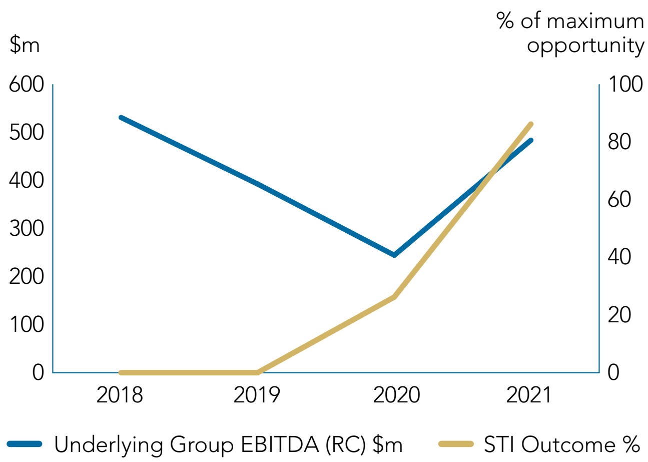
	2018	2019	2020	2021
Underlying Group EBITDA (RC)[1]	$531.5M	$392.9M	$244.6M	**$484.2M**
TRIFR (Total Recordable Injuries/Frequency Rate)	36/5.77	29/4.55[2]	19/3.6[2]	**34/6.7[2]**
Share price – close	$1.80	$1.92	$1.91	**$2.35**
Dividend per share (fully franked)	4.8 cents[3]	4.7 cents	0.8 cents	**4.1 cents**
Special dividend (unfranked)	–	–	5.94 cents	**–**
Capital return	–	–	21.46 cents	**6.2 cents**
Statutory earnings per share basic/diluted	29.8/29.4 cents	5.8/5.7 cents	(1.9)/(1.9) cents	**14.5/14.5 cents**
Underlying earnings per share	15.4 cents	8.1 cents	1.8 cents	**12.0 cents**
STI Outcomes – % of maximum	0%	0%	26.25%	**86.3%**
LTI Outcomes – % of maximum	N/A	N/A	25%[4]	**50%[5]**

1. In 2021, the Company changed its approach to reporting underlying financial information to include lease expenses in the underlying results for the Group. For the purposes of comparison, the historical results shown in this table also apply the new basis of reporting.
2. Excludes performance by Liberty Oil Holdings, which was acquired in December 2019 and does not form part of the safety and environment hurdles set under the STI.
3. This is the final dividend for the six months ended 31 December 2018. No interim dividend was paid in 2018.
4. Vesting of the 2018-2020 LTI.
5. Vesting of the 2019-2021 LTI.

Share price – close



STI outcomes



5.2. 2021 STI outcomes

5.2.1 Performance against the 2021 STI scorecard

This section discusses performance against the 2021 STI scorecard by the Executive KMP.

Category	Objective	Weighting	Performance against target range: Below threshold	Threshold	Target	Stretch	Performance against the performance measure
Financial	Deliver sustainable shareholder returns and consistent operating cash flows	60%				▼	The Group's financial performance in 2021 exceeded the Stretch hurdle both on the basis of actual and normalised performance, with actual EBITDA (RC) of $484.2M[2] a 98% improvement on the 2020 result.
Personal objectives	Progress key personal objectives aligned with the Company's strategic goals that deliver long term growth and position the Company for future success	30%				▼	The Executive KMP achieved Stretch performance on their personal objectives, delivering on significant strategic initiatives: • Worked with the Federal Government to successfully finalise the Fuel Security Package, which has transformed the outlook for the refining business. Secured Federal Government funding for construction of diesel storage at Geelong. • Strong progress on the Geelong Gas Terminal Project – entered expanded partner group with substantial international experience in LNG regasification terminals, completed FEED, signed a HOA to charter an FSRU and substantial progress on the EES. • Returned $100M to shareholders from the Waypoint REIT divestment via a capital return and a further $18M via an on-market buy-back. • Defined commitments to reduce the Company's carbon emissions and announced net zero ambition. Signed MOU with Waga Energy for renewable natural gas recovery from landfill, launched Carbon Neutral Jet Fuel, and is progressing feasibility for construction of a Hydrogen production and refuelling facility at the Geelong Energy Hub, supported by possible behind-the-meter solar farm.
Safety, environment and people	Build a generative safety culture and a highly engaged workforce focused on delivering high-quality results	10%	▼				Management maintained strong employee engagement and focus on health and wellbeing, ensuring that we operated safely and reliably throughout the second year of pandemic disruption. However, performance on personal and process safety has been disappointing and the Board exercised discretion to reduce the Safety, Environment and People component of the scorecard to zero: • TRIFR 6.7 (3.61 in 2020)[1]. Majority are relatively minor incidents, associated with manual handling, line of fire and slips, trips and falls. • Three Tier 2 incidents and one Tier 1 incident (two Tier 2 and one Tier 1 in 2020)[1]. • 19 LOPC > 100kg (same as 2020)[1]. • Engagement score 69% (70% in 2020).

1. Excludes performance by Liberty Oil Holdings, which was acquired in December 2019 and does not form part of the safety and environment hurdles set under the STI.
2. At the beginning of the 2021 STI performance period, the Board agreed to assess performance based on normalised refining margins and foreign exchange movements, whereby actual Group financial performance is restated applying available margins and exchange rate assumptions used to set the targets at the beginning of the performance period. The Group's performance in 2021 exceeded the Stretch hurdle both on the basis of actual and normalised performance.

5. Group performance and 2021 remuneration outcomes continued

5.2. 2021 STI outcomes continued

5.2.2 Final 2021 STI outcome

Executive KMP	STI outcome (% of maximum opportunity)	STI outcome (% of target opportunity)	Maximum STI foregone	Total STI award	STI award provided in cash	STI award provided in Share Rights[1]
Scott Wyatt	86.3%	172.5%	$211,150	$1,324,490	$662,245	$662,245
Jevan Bouzo	86.3%	172.5%	$110,000	$690,000	$345,000	$345,000

1. Share Rights (expected to be granted in March 2022) will vest into shares in two equal tranches, on 1 January 2023 and 1 January 2024, subject to conditions as set out in section 4.2. The number of Share Rights granted to each Executive KMP is determined by dividing the dollar value of the STI award to be provided in Share Rights by $2.0311, being the weighted average share price of the Company's shares over the performance period 1 January 2021 to 31 December 2021.

5.3. 2019-2021 Long Term Incentive outcome

5.3.1 Performance against the 2019-2021 LTI performance conditions

The three-year performance period of the 2019-2021 LTI grant ended on 31 December 2021. The 2019-2021 LTI performance conditions along with the outcome against the maximum opportunity under the grant are shown in the table below.

2019-2021 LTI measures, hurdles and outcome

Measure	Weighting	Vesting schedule	Minimum (0% vesting)	Maximum (100% vesting)	Performance	Vesting (% of maximum)
Cumulative FCF over the performance period	25%	Straight-line pro-rata vesting between 50-100% for performance between target and stretch hurdles	Less than target performance of $825M	Stretch performance of $925M	$967M[1]	100%
Average ROCE for each year of the performance period	25%		Less than target performance of 15%	Stretch performance of 23%	9.0%	0%
TSR relative to the ASX100 Comparator Group	50%	Straight-line pro rata vesting between 50% and 100% for performance between 50th percentile and 75th percentile	Less than 50th percentile	At 75th percentile or above	50th[2] percentile	50%
Total	100%					50% vesting

1. In accordance with the terms of the 2019-2021 LTI, the FCF measure was normalised for movements in refining margins and foreign exchange (both on an after-tax basis). The normalisation process involved: 1) restating the actual Group performance over the three-year performance period by applying available margins and exchange rate assumptions used to set the target at the beginning of the performance period; 2) adjusting the Fuel Security Services Payment (FSSP) received by the Company in 2021 downward to nil; and 3) adjusting the JobKeeper payment received during the performance period to nil. The targets set at the beginning of the performance period assumed the receipt of the Waypoint REIT dividends – as the Waypoint REIT stake was divested during the performance period, an adjustment was made for the dividends foregone. As a result of these collective adjustments, FCF performance was adjusted up from actual FCF of $620M to the normalised performance of $967M over the performance period.
2. The Board engaged Aon Hewitt to independently assess Viva Energy's rTSR performance against the ASX 100 peer group over the performance period. The Company's TSR over the three-year performance period was +26.86%. In assessing the Company's TSR performance relative to the ASX100 peer group, the Board resolved to include in the peer set Santos and Oil Search, notwithstanding that the entities merged in December 2021 (had these companies been excluded, the Company's performance would rank at the 49th percentile relative to the ASX100 Comparator Group). The Board considers both these companies to be relevant TSR comparators over the performance period for Viva Energy on the basis of their industry and materiality within the index.

5.3.2 Final 2019-2021 LTI outcome

The outcome for each Executive KMP under the 2019-2021 LTI is shown in the table below.

	Date 2019 PR[1] granted	Number of 2019 PR granted	Value at grant date[2]	% of 2019 PR vested	Number of 2019 PR vested	Value of 2019 PR vested[3]	% of 2019 PR lapsed	Number of 2019 PR lapsed
Executive KMP								
Scott Wyatt	23 May 2019	541,198	$887,565	50%	270,599	$673,792	50%	270,599
Jevan Bouzo	19 March 2019	270,599	$535,786	50%	135,299	$336,895	50%	135,300
Former Executive KMP								
Thys Heyns[4]	19 March 2019	270,599	$535,786	–	–	–	100%	270,599

1. 2019-2021 LTI Performance Rights.
2. The value of the Performance Rights granted is based on the total grant date fair value. Refer to section 9.1 for further details on the fair value of the Performance Rights.
3. Calculated based on share price of $2.49, being the closing share price on the date of vesting on 20 February 2022.
4. Unvested 2019 LTI Performance Rights held by Thys Heyns lapsed upon his retirement from the Company on 31 March 2021.

5.4. 2021 Realised pay – Executive KMP (unaudited)

The following table sets out the pay actually earned by the executive during or in relation to the 2021 financial year, as a summary of real or 'take home' pay. This includes fixed remuneration and any other benefits paid/payable in relation to the 2021 financial year. It also includes the full value of incentive pay that has been earned in relation to the 2021 performance period.

This table is non-IFRS information and is unaudited. This disclosure is voluntary and is supplemental information to the statutory remuneration disclosed in section 7 of this Remuneration Report.

	TOTAL FIXED REMUNERATION		STI					
	Cash $	RSU $	Cash $	Deferred Share Rights $	LTI vested $	Other $	Total $	Legacy LTI vested $
		1	2	3	4	5		6
Executive KMP								
Scott Wyatt	958,501	215,460	662,245	115,623	673,792	28,026	2,653,647	–
Jevan Bouzo	754,168	–	345,000	62,628	336,895	27,084	1,525,775	430,464

1. Represents the deferred equity component of Scott Wyatt's 2021 Total Fixed Remuneration – 86,530 Restricted Stock Units will vest and be automatically exercised into ordinary shares in accordance with its terms. The value is based on the share price of $2.49, being the closing share price on 20 February 2022.
2. STI cash represents the cash component of the 2021 STI award (50%), which will be paid in March 2022.
3. Deferred STI represents the deferred equity component of the 2020 STI – 46,435 and 25,152 deferred share rights vested for Scott Wyatt and Jevan Bouzo respectively and will be automatically exercised into ordinary shares in accordance with its terms. The value is based on the share price of $2.49, being the closing share price on 20 February 2022.
4. LTI vested represents the value of the vested 2019-2021 LTI award. The value is based on the number of Performance Rights that vested (270,599 and 135,299 Performance Rights for Scott Wyatt and Jevan Bouzo respectively) multiplied by $2.49, being the Viva Energy closing share price at the time of vesting on 20 February 2022.
5. Comprises superannuation and other benefits including the Viva Energy discount benefit received, the payment of premiums for death and total permanent disability insurance cover and the payment of plan management fees for the Viva Energy Superannuation Plan. Negative balances are as a result of the leave taken being greater than the leave accrued in the relevant financial year. Accruals for annual leave and long service leave have been excluded.
6. Represents the 183,176 shares transferred to Jevan Bouzo as a result of options that vested and were exercised via the cashless exercise facility on 1 January 2022 multiplied by Viva Energy's closing share price at the time of exercise ($2.30). The Legacy LTI plan was put in place prior to the Company's listing in 2018 and no further grants have been made since the listing nor will be made under this plan going forward. As at the date of this report, there are no outstanding options under the Legacy LTI.

6. Remuneration governance

Remuneration governance

Board

The Board, with the guidance of the Remuneration and Nomination Committee (RNC), is responsible for:

- approving the remuneration of the Non-Executive Directors and Executive KMP;
- ensuring the Company's remuneration framework is aligned with the Company's purpose, values, strategic objectives and risk appetite;
- evaluating the performance of the CEO and other members of the Executive Leadership Team (ELT); and
- approving incentive plans and engaging external remuneration consultants as appropriate.

Remuneration and Nomination Committee (RNC)

The RNC is comprised of three Non-Executive Directors, a majority of whom are independent.

The RNC's responsibilities include Board composition and governance-related matters as well as making recommendations to the Board in relation to:

- remuneration policies that will be designed to support the execution of the Company's strategy and plans, and set remuneration and rewards at levels to attract and retain the best people;
- the remuneration of the Non-Executive Directors;
- the remuneration packages (including Total Fixed Remuneration, incentive plans and any other benefits or arrangements) of the CEO and other members of the ELT; and
- the administration and operation of equity and incentive plans and assessing the effectiveness and implementation of such plans.

Management

- Provides information relevant to remuneration decisions and makes recommendations to the RNC.

Consultation with shareholders and other stakeholders

Remuneration consultants and other external advisers

The RNC seeks external remuneration advice to ensure that it is fully informed when making decisions, including on recent market trends and practices and other remuneration-related matters.

Any advice provided by external advisers is used to assist and inform the Board, and it is not a substitute for the Board and RNC processes.

In 2021, no remuneration recommendations were received from remuneration consultants as defined under the *Corporations Act 2001*.

Remuneration consultants and other external advisers

Management may seek its own advice relevant to remuneration matters (for example, market trends, legal advice, tax advice).

7. Executive Statutory Remuneration

The table below has been prepared in accordance with the requirements on the *Corporations Act 2001* and the relevant Australian Accounting Standards. The amounts provided under the 'STI share-based payment' and 'LTI share-based payment' columns are based on accounting values and do not reflect actual payments received in 2021.

		Short-term benefits				Post-employment	Long-term benefits			
		Salary and fees $	STI $	Other benefits $	Annual leave $	Superannuation $	Long service leave $	STI share-based payment $	LTI share-based payment $	Total $
		1	2	3			4	5	6	
Executive KMP										
Scott Wyatt	**2021**	**958,501[7]**	**662,245**	**5,394**	**41,141**	**22,632**	**(54,856)**	**342,493**	**707,953**	**2,685,503**
	2020	875,646	157,500	5,055	30,264	21,354	(2,243)	65,625	737,248	1,890,449
Jevan Bouzo	**2021**	**754,168[8]**	**345,000**	**4,452**	**(2,986)**	**22,632**	**12,939**	**179,802**	**423,599**	**1,739,606**
	2020	621,313	85,312	4,132	(4,833)	21,354	10,471	35,547	374,049	1,147,345
Former Executive KMP										
Thys Heyns[9]	**2021**	**285,026[10]**	**–**	**956**	**41,672[11]**	**5,424**	**2,242**	**–**	**(448,574)**	**(113,254)**
	2020	521,379	157,500	3,478	(11,442)	39,622	8,971	–	397,417	1,116,925
Total	**2021**	**1,997,695**	**1,007,245**	**10,802**	**79,827**	**50,688**	**(39,675)**	**522,295**	**682,978**	**4,311,855**
	2020	2,018,338	400,312	12,665	13,989	82,330	17,199	101,172	1,508,714	4,154,719

1. 2021 salary and fees include a $150 per month working from home allowance received by all eligible employees. 2020 salary and fees include a once-off $1,000 working from home payment received by all eligible employees.
2. STI award provided in cash (50% of the total STI award). The 2021 STI cash award will be paid in March 2021.
3. Other benefits represent Viva Energy fuel discount, payment of premiums for death and total and permanent disability insurance cover, payment of plan management fees for the Viva Energy Superannuation Plan, and payments made with respect to mobile phone use.
4. Negative balances are as a result of the leave taken being greater than the leave accrued in the relevant financial year.
5. STI share-based payment represents the fair value of Deferred Share Rights granted under the 2020 and 2021 STI, calculated in accordance with accounting standards.
6. LTI share-based payment represents fair value of Performance Rights granted to date and the statutory expense recorded in the income statement for the value of Legacy LTI options vesting across the period, calculated in accordance with accounting standards.
7. Scott Wyatt's total fixed remuneration (inclusive of base salary and superannuation) was increased from $896,000 to $1,146,000, effective on 1 March 2021. $150,000 of this increase was effected through a grant of 86,530 Restricted Stock Units (RSU) and as such has been expensed under the LTI share-based payment amount. The RSUs are subject to a service condition of one year and a further deferral period of one year.
8. Jevan Bouzo's total fixed remuneration (inclusive of base salary and superannuation) was increased from $650,000 to $800,000 effective on 1 March 2021 when he took on an expanded role of Chief Operating and Financial Officer.
9. 2021 remuneration for Thys Heyns is shown from 1 January 2021 until he ceased as KMP on 31 March 2021.
10. Includes a termination payment of $150,000.
11. Includes annual leave payment of $31,320 upon termination.

8. Non-Executive Director remuneration

8.1. Non-Executive Director fees

Non-Executive Directors are paid annual fees. With the exception of the Chairman, each Non-Executive Director who is a chair or a member of a Board Committee receives Committee fees in recognition of the additional responsibilities, time and commitment required. Non-Executive Directors do not receive any performance-related remuneration.

The table below sets out Non-Executive Director remuneration, inclusive of statutory superannuation.

	Description	Fees
Board	Chair	$400,000[1]
	Director	$165,000
Committee fees[2]	Chair	$35,000
	Member	$17,500

1. The Board Chair does not receive any additional fees for being the Chair or member of any Board Committees.
2. Standing Board Committees comprise: Audit and Risk; Remuneration and Nomination; Sustainability; and Strategy and Investment.

Under the ASX Listing Rules and Viva Energy's Constitution, the total amount paid to all Non-Executive Directors must not exceed in aggregate in any year the amount fixed by Viva Energy in a general meeting for that purpose. As disclosed in the Prospectus, this amount has been fixed by the Company at $1.9M per annum. Non-Executive Director fees paid in 2021 were within this cap.

8.2. 2021 Non-Executive Director fees

The fees paid to the Non-Executive Directors in 2021 are set out in the table below:

		Short-term benefits		Post-employment benefits	Other long-term benefits	
		Salary and fees $	Non-monetary benefits $	Super-annuation $	Other $	Total $
Non-Executive Directors						
Robert Hill (Chairman)	**2021**	**377,368**	**–**	**22,632**	**–**	**400,000**
	2020	378,646	–	21,354	–	400,000
Arnoud De Meyer	**2021**	**217,500**	**–**	**–**	**–**	**217,500**
	2020	217,500	–	–	–	217,500
Dat Duong[1]	**2021**	**–**	**–**	**–**	**–**	**–**
	2020	–	–	–	–	–
Michael Muller[1]	**2021**	**–**	**–**	**–**	**–**	**–**
	2020	–	–	–	–	–
Sarah Ryan[2]	**2021**	**235,000**	**–**	**–**	**–**	**235,000**
	2020	235,000	–	–	–	235,000
Nicola Wakefield Evans[3]	**2021**	**86,926**	**–**	**8,693**	**–**	**95,619**
	2020	N/A	N/A	N/A	N/A	N/A
Former Non-Executive Directors						
Jane McAloon[4]	**2021**	**138,892**	**–**	**13,353**	**–**	**152,245**
	2020	214,612	–	20,388	–	235,000
Total	**2021**	**1,055,686**	**–**	**44,678**	**–**	**1,100,364**
	2020	**1,045,758**	**–**	**41,742**	**–**	**1,087,500**

1. Dat Duong and Michael Muller have agreed to not receive any remuneration for their positions as Non-Executive Directors.
2. Sarah Ryan did not receive superannuation in 2020 and 2021 pursuant to an exemption granted by the ATO under section 19AA of the *Superannuation Guarantee (Administration) Act 1992*. Accordingly, Dr Ryan's 2020 and 2021 fees include the amounts which would otherwise have been contributed as superannuation.
3. Remuneration for Nicola Wakefield Evans is shown from 3 August 2021 when she was appointed a Non-Executive Director.
4. Jane McAloon resigned as a Non-Executive Director with effect on 25 August 2021.

9. Equity interests

9.1. Performance Rights, Deferred Share Rights and Legacy LTI option holdings – KMP

Abbreviations used in the following table:

2018 PR – 2018-2020 LTI Performance Rights | 2019 PR – 2019-2021 LTI Performance Rights | 2020 PR – 2020-2022 LTI Performance Rights | 2021 PR – 2021-2023 LTI Performance Rights | Options – Legacy LTI options | RSU – Restricted Stock Units | DSR – Deferred Share Rights

			Held at 1 January 2021		Granted[1]			Exercised		Held at 31 December 2021[2]	
	Type	Exercise price ($)	Vested	Un-vested	Number	Value ($)	Lapsed	Number	Value ($)[3]	Vested	Un-vested
Executive KMP											
Scott Wyatt	2021 RSU	–	–	–	86,530	143,640	–	–	–	–	86,530
	2020 STI DSR	–	–	–	92,871	159,738	–	–	–	–	92,871
	2021 PR	–	–	–	905,501	1,365,106	–	–	–	–	905,501
	2020 PR	–	–	556,121	–	–	–	–	–	–	556,121
	2019 PR	–	–	541,198	–	–	–	–	–	–	541,198
	2018 PR	–	–	480,000	–	–	360,000	120,000	199,200	–	–
Jevan Bouzo	2020 STI DSR	–	–	–	50,305	86,525	–	–	–	–	50,305
	2021 PR	–	–	–	471,725	555,613	–	–	–	–	471,725
	2020 PR	–	–	301,232	–	–	–	–	–	–	301,232
	2019 PR	–	–	270,599	–	–	–	–	–	–	270,599
	2018 PR	–	–	192,000	–	–	144,000	48,000	79,680	–	–
	Options[4]	1.21	1,153,571[5]	384,524	–	–	–	1,153,571	1,148,991	–	384,524
Former Executive KMP											
Thys Heyns	2021 PR[6]	–	–	–	–	–	–	–	–	–	–
	2020 PR[7]	–	–	278,060	–	–	278,060	–	–	–	–
	2019 PR[7]	–	–	270,599	–	–	270,599	–	–	–	–
	2018 PR	–	–	240,000	–	–	180,000	60,000	99,600	–	–

1. The following equity securities were granted in 2021:
   - Restricted Stock Units were awarded to Scott Wyatt on 16 March 2021 and represent $150,000 of Mr Wyatt's 2021 total fixed remuneration. The number of rights were calculated by dividing $150,000 by the volume weighted average price of the Company's shares on the ASX (VWAP) over the 30-day period immediately prior to the award.
   - Deferred Share Rights were awarded to Jevan Bouzo and Scott Wyatt on 1 March 2021. The number of Deferred Share Rights were calculated by dividing the dollar value of their equity component of the 2020 STI amount vested by the VWAP over the period from 1 January 2020 to 31 December 2020.
   - 2021 LTI Performance Rights were awarded to Jevan Bouzo on 19 February 2021 and Scott Wyatt on 26 May 2021. The number of Performance Rights were calculated by dividing the dollar value of their maximum LTI opportunity by $1.6959, being the VWAP over the period from 1 January 2020 to 31 December 2020. The value of the Performance Rights granted in 2021 is based on the total grant date fair value.
2. Of the 2019 PRs held by Scott Wyatt and Jevan Bouzo, 50% have vested and the remaining 50% have lapsed since 31 December 2021. Of the options held by Jevan Bouzo on 31 December 2021, all vested options were exercised on 1 January 2022 via cashless exercise facility resulting in the transfer of 183,176 ordinary shares to Mr Bouzo.
3. The value of Performance Rights exercised is calculated based on the share price of $1.66, being the closing share price on the date of vesting on 23 February 2021.

   The value of Options exercised represents the number of shares received on the exercise of the options via cashless exercise facility multiplied by Viva Energy's closing share price on the date of exercise ($2.17).
4. The Legacy LTI Plan was put in place prior to the Company's listing in 2018 and no further grants have been made since the listing, nor will be made under this plan going forward.
5. On 1 January 2021, 384,524 options vested resulting in a difference with the number of options vested as at 31 December 2020.
6. Thys Heyns retired as COO and ceased being a KMP on 31 March 2021. Mr Heyns did not participate in the 2021-2023 LTI.
7. Unvested 2019 and 2020 LTI Performance Rights held by Thys Heyns lapsed upon his retirement from the Company on 31 March 2021.

9. Equity Interests continued

9.1. Performance Rights, Deferred Share Rights and Legacy LTI option holdings – KMP continued

Further details of each grant of Performance Rights and Legacy LTI options outstanding at the end of 2021 are set out below:

Type	Grant date	Fair value at grant date	Vesting date
2021 PR	19 February 2021 26 May 2021	$0.86 – $1.50 $1.18 – $1.50	As notified by the Company to the participant after 31 December 2023
2020 PR	18 February 2020 6 July 2020 8 October 2020	$0.47 – $1.73 $0.91 – $1.58 $0.91 – $1.58	As notified by the Company to the participant after 31 December 2022
2019 PR	19 March 2019 23 May 2019	$1.73 - $2.23 $1.31 - $1.97	The date when all vesting conditions have been satisfied or waived (performance period ends 31 December 2021)
Options	25 October 2017	$1.21	1 January 2022

9.2. Shareholdings – KMP

The number of shares in the capital of the Company held directly and indirectly by each KMP are set out below:

	Balance as at 1 January 2021	Acquired in 2021	Acquired through vesting of Performance Rights	Acquired through exercise of options	Disposed in 2021	Other[1]	Balance as at 31 December 2021[2]
Non-Executive Directors							
Robert Hill	67,200	30,000	–	–	–	(2,916)	94,284
Dat Duong	–	–	–	–	–	–	–
Arnoud De Meyer	104,496	57,300	–	–	–	(4,854)	156,942
Mike Muller	–	–	–	–	–	–	–
Sarah Ryan	79,965	30,000	–	–	–	(3,298)	106,667
Nicola Wakefield Evans[3]	N/A	30,000	–	–	–	(900)	29,100
Former Non-Executive Directors							
Jane McAloon[4]	70,831	–	–	–	–	N/A	N/A
Executive KMP							
Scott Wyatt	9,171,893	–	120,000	–	(1,155,000)	(251,006)	7,885,887
Jevan Bouzo	130,198	427[5]	48,000	529,489[6]	(177,201)	(15,913)	515,000
Former Executive KMP							
Thys Heyns[7]	3,722,842	–	60,000	–	–	N/A	N/A

1. Reduction in number of shares held as a result of the share consolidation implemented on 25 October 2021.
2. Post 31 December 2021:
   - Jevan Bouzo acquired 183,176 ordinary shares following the exercise of the remaining Legacy LTI options; and
   - Scott Wyatt and Jevan Bouzo are due to receive 270,599 and 135,299 ordinary shares respectively following the vesting of their 2019-2021 LTI Performance Rights.
3. Nicola Wakefield Evans became a Director on 3 August 2021. Accordingly, the disclosure covers the period from 3 August 2021.
4. Jane McAloon resigned as a Director with effect on 25 August 2021. Accordingly, the disclosure covers the period up to 25 August 2021.
5. Acquired under the Employee Share Plan 2021 Exempt Share Award.
6. Following the exercise of the Legacy LTI options via cashless exercise facility, 529,489 shares were transferred to Jevan Bouzo on 7 September 2021.
7. Thys Heyns retired from the Company on 31 March 2021. Accordingly, the disclosure covers the period up to and including 31 March 2021.

10. 2022 Remuneration

10.1. KMP

On the Company's listing in 2018, the remuneration of the CEO was intentionally set at modest levels relative to ASX listed peers and it has, since listing, continued to remain significantly below market. This was an intentional decision of the Board at the time, recognising the strong retention focus and significant value tied to the legacy LTI structure put in place under the previous ownership (which expired for the CEO in January 2020).

Since listing, the Board has communicated its intention to address the competitiveness of the CEO's package. This is particularly important as the Company continues to progress on its transformation journey in an evolving energy market in which the CEO is considered by the Board to be a critical leader. The Board believes it important to address the CEO's pay levels to ensure there is sufficient engagement and retention value to secure the CEO.

In last year's Remuneration Report, the Board disclosed that it would address the competitiveness of the CEO's remuneration package in a staged approach, with the first realignment step disclosed and implemented in 2021 via a combination of cash and Restricted Stock Units (RSUs) that are subject to a further combined two-year service and deferral period. In considering the CEO's 2022 remuneration, the Board considered a market cap peer group of ASX 50-150, which was further augmented by consideration of specific comparators of other CEO packages in the oil and gas industry. Both data sets confirmed that the CEO's TFR continues to be below median.

In line with the Board's stated intention it would continue to review the CEO's package with a view to moving Total Fixed Remuneration (**TFR**) to just above the median of the ASX50-150 peer group, as the second and final step in this process, the Board has made one further significant adjustment to the CEO's TFR from $1,146,000 to $1,400,000 in 2022. The 2022 TFR will be delivered via a combination of cash ($1,150,000) and RSUs ($250,000). The RSUs will be subject to a service condition of one year and a further deferral period of one year to increase equity exposure of the CEO's 2022 package while also building in a retention component. Following this increase, the CEO's TFR will be positioned just above median of the ASX 50-150 peer group and his total remuneration (including his incentive opportunities at maximum) will be around the 75th percentile of the peer group. The CEO will only realise the total reward under the incentive opportunities if STI and LTI targets are achieved at maximum aligning the majority of his package with the experience of shareholders. This change is intended to be the final material step and will conclude the process of market re-alignment.

No other changes will be made in 2022 to the remuneration arrangements of the Non-Executive Directors or the COFO.

10.2. 2022 variable remuneration

10.2.1 2022 STI

The Board previously determined to assess 2020 and 2021 STI financial performance based on normalised refining margins and foreign exchange movements, whereby actual Group financial performance is restated applying available margins and exchange rate assumptions used to set the targets at the beginning of the performance period.

For the 2022 STI, the Board has decided to assess STI financial performance based on actual performance (that is, not normalising for refining margins). A contributing factor to this has been the Federal Government announcing the Fuel Security Services Payment (FSSP) in 2021. The FSSP mechanism provides a level of 'downside' protection in a low refining margin environment, which makes normalising no longer necessary going forward. While the FSSP mechanism is in place, the Board considers that assessing remuneration outcomes based on actual (as compared to normalised) performance to be a simpler and more transparent process, with outcomes aligned to the shareholder experience. The Board will continue to retain overarching discretion to assess the appropriateness of STI outcomes at year end.

10.2.2 2022 LTI

Viva Energy is on a transformation journey as the energy industry evolves. While FCF, ROCE and rTSR all remain important, the Board also wants to reward progress against tangible milestones on our transformation as they are critical to our long-term success. For this reason, the Board has decided to incorporate in the 2022 LTI a strategic component linked to our strategic objectives (aligned with the strategy outlined in the November 2022 investor day). This component will have a total weighting of 15%. The existing measures (FCF, ROCE and rTSR) will be reduced in weighting by 5% each to accommodate the introduction of the strategic component.

Measure	2021 LTI (current)	2022 LTI
rTSR	Weighting: **50%**	Weighting: **45%**
	Peer group: ASX50-150	Peer group: ASX50-150
FCF per share	Weighting: **25%**	Weighting: **20%**
	Normalised: **Yes**	Normalised: **No** (this measure will no longer be normalised for the same reasons as apply to the STI (see above), being simplicity, transparency and shareholder alignment)
ROCE	Weighting: **25%**	Weighting: **20%**
	Normalised: No	Normalised: No
Strategic	N/A	Weighting: **15%**
		Further detail on the strategic measures will be included in the 2022 notice of Annual General Meeting

Directors' report

The Directors present this report, together with the financial report of Viva Energy Group Limited (the Company) and the entities it controlled (collectively, the Group), for the financial year ended 31 December 2021.

This Directors' Report has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth). The following information forms part of this report:

- Director biographies on pages 8 to 9;
- Operating and financial review on pages 13 to 30;
- Risk management disclosures which form part of the Operating and financial review on pages 24 to 30;
- Remuneration Report on pages 89 to 109;
- External auditor's independence declaration on page 115; and
- Note 34 Auditor's remuneration on pages 169.

Directors, Secretaries and meetings

The Directors of the Company at any time during the financial year ended 31 December 2021 and up until the date of this report, unless otherwise stated, are:

- Robert Hill
- Scott Wyatt
- Arnoud De Meyer
- Dat Duong
- Jane McAloon – Resigned with effect on 25 August 2021
- Michael Muller
- Sarah Ryan
- Nicola Wakefield Evans – Appointed 3 August 2021

Information on the qualifications, experience, special responsibilities and other directorships of our Directors is set out on pages 8 to 9.

Company Secretaries

Julia Kagan

BBus (Banking and Finance), LLB (Hons), FGIA

Julia Kagan was appointed Company Secretary on 26 July 2019.

Julia joined Viva Energy in August 2018. Prior to this, Julia held governance roles at BHP and at ASX as part of the Listings Compliance team. Julia is a legal practitioner and holds a Bachelor of Business and a Bachelor of Laws (Honours) from Monash University. She is a Fellow of the Governance Institute of Australia.

Cheng Tang

BCom, LLB, AGIA

Cheng Tang was appointed Company Secretary on 19 August 2021.

Prior to joining Viva Energy in March 2020, Cheng was a senior adviser in the Listings Compliance team at ASX and started her career in assurance at Ernst & Young. Cheng holds a Bachelor of Commerce and a Bachelor of Laws from Monash University and is an Associate of the Governance Institute of Australia.

Directors' meetings

Details regarding Board and Board Committee meetings held during the year and each Director's attendance at these meetings are set out below. Directors have a standing invitation to attend all standing Board Committee meetings. Attendance by Directors at meetings of Committees of which they are not a member is not reflected in the table below.

All Directors receive copies of the agendas, minutes and papers of each standing Board Committee meeting, save to the extent they are subject to a relevant conflict.

	Board meetings		Audit and Risk Committee		Sustainability Committee		Remuneration and Nomination Committee		Strategy and Investment Committee	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
Robert Hill	7	17			4	4	6	6	3	3
Arnoud De Meyer	17	17					6	6	3	3
Dat Duong	17	17	7	7			6	6	3	3
Jane McAloon[1]	10	9	5	5	2	2			1	1
Sarah Ryan	17	17	7	7	4	4			3	3
Michael Muller	17	17			4	4			3	3
Nicola Wakefield Evans[2]	9	9	3	3	2	2			2	2
Scott Wyatt	17	17							3	3

(A) number of meetings held during the period which the Director was eligible to attend.

(B) number of meetings attended by the Director.

1. Jane McAloon retired from the Board and its Committees with effect on 25 August 2021.
2. Nicola Wakefield Evans was appointed to the Board and joined the Sustainability Committee, the Audit and Risk Committee and the Strategy and Investment Committee on 3 August 2021.

Principal activities and review of operations

Principal activities

During the year, the principal activities of the Group included the following:

- sales of fuel and specialty products through Retail and Commercial channels across Australia;
- management of a national supply, distribution and terminal network; and
- manufacturing activities at the Group's Geelong oil refinery.

State of affairs

There were no significant changes in the Group's state of affairs during the year other than as set out in the Operating and financial review, which is set out on pages 13 to 30 and in the Notes to the consolidated financial statements.

Review of operations

The Operating and financial review of the Group for the 2021 financial year is set out on pages 13 to 30 of this report.

Dividends

We paid the following dividends during the financial year ended 31 December 2021:

Dividend	Total dividend	Payment date
Interim dividend of 4.1 cents per share (fully franked) for the half year ended 30 June 2021	$65.9M	23 September 2021

Matters subsequent to the end of financial year

Diesel Storage Program

On 31 January 2022, the Group announced the finalisation of a grant agreement in relation to the Federal Government's Boosting Australia's Diesel Storage Program that will see the Group build 90 million litres of new strategic diesel storage at the Geelong Refinery. The grant will cover up to 50% of total eligible expenditure up to a maximum of $33.3M. The total project expenditure is estimated to be between $75.0M and $85.0M. Subject to regulatory approval, construction is expected to commence in 2022 with planned completion by 2024.

Stamp duty – Viva Energy REIT

On 24 September 2018, Viva Energy REIT (now called Waypoint REIT) received an assessment from the Victorian State Revenue Office ('SRO') for $31.2M. The assessment related to the transfer of properties prior to the completion of the Viva Energy REIT IPO in August 2016. Pursuant to the arrangements between Viva Energy REIT and the Group at the time, any such costs must be payable by the Group.

An objection to the matter was lodged by VER Custodian Pty Ltd (a REIT entity) and a determination from the SRO was subsequently received in May 2020 disallowing that objection. The matter was then referred to the Supreme Court of Victoria (Court) with the court hearing on 8 November 2021. On 11 February 2022, the Court upheld the Group's objection to the SRO's stamp duty assessment and determined that the assessment be reduced to nil.

As a result of the Court's assessment, the $31.2M contingent liability that has been disclosed in the financial statements since 2018 is no longer recognised. In addition, a $7.5M payment made to the SRO in 2020, which is currently recognised in current assets within the consolidated statement of financial position at 31 December 2021, will be returned to the Group in 2022.

No other matters or circumstances have arisen subsequent to the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Remuneration and share interests

Remuneration Report

The Remuneration Report is set out on pages 89 to 109.

Directors' interests in share capital

The relevant interests of each Director in the share capital of the Company as at the date of this Directors' Report is set out below.

Director	Number of ordinary shares in which the Director has a relevant interest
Robert Hill	94,284
Scott Wyatt	7,885,887*
Arnoud De Meyer	156,942
Dat Duong	-
Sarah Ryan	106,667
Michael Muller	-
Nicola Wakefield Evans	29,100

* The CEO will receive 270,599 ordinary shares following the vesting of the 2019 LTI Performance Rights. As at the date of this report, these shares have not yet been transferred to the CEO. See the Remuneration Report for further information.

Our Managing Director and CEO, Scott Wyatt, holds 92,871 Deferred Share Rights issued under the Company's Short Term Incentive Plan, 86,530 Restricted Stock Units and 1,461,622 Performance Rights issued under the Company's Long Term Incentive Plan.

Non-Executive Directors do not hold any rights or options over shares in the Company or any Group entity.

Rights and Options over shares in the Company

The table below details the number of Options, Performance Rights and Deferred Share Rights the Company had on issue as at the date of this report. Further information is available in the Remuneration Report.

	Number on issue as at 31 December 2020	Changes during the 2021 financial year	Number on issue as at 31 December 2021	Changes since the end of the 2021 financial year	Number on issue as at the date of this report
Options	1,538,095 Options at various exercise prices and expiry dates	1,153,571 Options exercised	384,524 Options exercisable at $1.21 expiring 1 January 2022	384,524 Options exercised	–
Performance Rights	5,100,863 Performance Rights	2,733,434* Performance Rights issued 308,000** Performance Rights vested 1,585,408 Performance Rights lapsed	5,940,889 Performance Rights	699,045** Performance Rights vested 699,049 Performance Rights lapsed	4,542,795 Performance Rights
Deferred Share Rights	2,201,583 Deferred Share Rights	2,540,824*** Deferred Share Rights issued 1,057,738** Deferred Share Rights vested 46,755 Deferred Share Rights lapsed	3,637,914 Deferred Share Rights	115,220** Deferred Share Rights vested	3,505,137 Deferred Share Rights

* Of these, 905,501 Performance Rights were granted to the CEO on 31 May 2021 as approved by shareholders at the 2021 AGM.

** Each Performance Right or Deferred Share Right that vests entitles the holder to acquire one ordinary share. The shares allocated upon vesting and exercise are acquired on market and transferred to the holder.

*** Of these, 179,401 deferred share rights were granted to the CEO under the Company's STIP and LTIP.

Corporate governance

As at the date of this report, our corporate governance arrangements and practices complied with the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Our *Corporate Governance Statement 2021* is available on our website at www.vivaenergy.com.au.

Auditor

Our external auditor, PricewaterhouseCoopers (PwC), has provided an independence declaration in accordance with the Corporations Act. This is set out at page 115.

Non-audit services

Details of non-audit services provided by, and amounts paid to, our external auditor are set out in Note 34 Auditor's remuneration to the financial statements.

The Directors have formed the view, based on advice from the Audit and Risk Committee, that the provision of non-audit services during the 2021 financial year was compatible with, and did not compromise, the general standard of independence for auditors imposed by the *Corporations Act 2001*. The non-audit services provided did not involve the external auditor reviewing or auditing its own work or acting in a management or decision-making capacity for the Company, or otherwise could reasonably be expected to compromise its independence.

No officer of the Company was a partner or director of PricewaterhouseCoopers during the financial year.

Directors' report continued

Environmental performance

The Group is subject to Federal, State and Local Government environmental regulation in respect of its land holdings, manufacturing, terminal and distribution facilities and marketing operations. Licences are held for a number of these operations issued by the relevant state environmental regulator.

In 2021, the Group received an infringement notice from the Environment Protection Authority (EPA) Victoria for the discharge of wastewater that exceeded levels above the Geelong refinery's EPA licence limits. The EPA were promptly notified of the incident and mitigating measures have since been put in place following investigation of the cause of the incident. The infringement notice imposed a fine of approximately $8,000. There were no other fines, regulatory sanctions or prosecutions in relation to environmental issues or compliance with its licences during 2021.

The Group commenced proceedings in the Queensland Land & Environment Court to appeal an Environmental Protection Order issued by the Queensland Department of Environment & Science relating to perfluoroalkyl and polyfluoroalkyl substances (PFAS) in stormwater discharges from the Pinkenba Terminal (received in 2021). The Group continues to work with the EPA in Victoria in relation to similar impacts at our Newport Terminal (notice received in 2020). These notices relate to legacy PFAS contamination associated with the historical use of fluorinated firefighting foams at the terminal as part of the site's fire safety systems. At both the Newport and Pinkenba sites and in consultation with the relevant regulators, mitigation actions have been implemented to reduce the PFAS contamination in stormwater. These mitigations include covering or capping the former fire training grounds at each of the sites, as these areas are responsible for the majority of the contamination in stormwater. Further work is underway to finalise an appropriate level of water treatment. It is expected that a new version of the National Environment Management Plan (NEMP) will be released in 2022, which will set out the acceptable PFAS limits. The Group will monitor and assess the impact of the new NEMP when it becomes available.

Indemnities and insurance

The Company maintains a deed of access, insurance and indemnity with each Director and each Company Secretary of the Group. Under those deeds, the Company indemnifies, to the extent permitted by law, each Director and each Company Secretary against any loss that may arise from, or in connection with, any act or omission by that Director/Company Secretary in the performance of, or relating to or in connection with, their position as an officer of the Company or the execution or discharge of duties as such an officer, to the full extent permitted by law. Each deed provides that the Company must meet the full amount of any such loss, including legal costs (calculated on a full indemnity basis) that are reasonably incurred, charges and expenses.

Under the deeds, the Company must arrange and maintain a directors' and officers' insurance policy for the Directors and the Company Secretaries to the extent permitted by law, and must use reasonable endeavours to maintain such insurance for the period from the date of the deed until seven years after the Director/Company Secretary ceases to hold office. This seven-year period can be extended where certain actions or proceedings commence before the period expires.

The Group has entered into insurance policies to insure the Directors and Company Secretaries. The Group has paid the premiums for those policies. In accordance with common commercial practice, the insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums.

Viva Energy Group Limited has agreed to reimburse its auditors, PricewaterhouseCoopers, for any liability (including reasonable legal costs) incurred in connection with any claim by a third party arising from Viva Energy's breach of its audit engagement agreement.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, all amounts in this Directors' Report have been rounded to the nearest one hundred thousand dollars ($100,000), or in certain cases, to the nearest one thousand dollars ($1,000).

This Directors' Report is made in accordance with a resolution of the Board.

Robert Hill

Robert Hill
Chairman

Scott Wyatt
CEO and Managing Director

Date: 21 February 2022

Auditor's independence declaration

Auditor's Independence Declaration

As lead auditor for the audit of Viva Energy Group Limited for the year ended 31 December 2021, I declare that 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 Viva Energy Group Limited and the entities it controlled during the period.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
21 February 2022

PricewaterhouseCoopers, ABN 52 780 433 757
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Financial report

Consolidated statement of profit or loss

For the year ended 31 December 2021

	Notes	2021 $M	2020 $M
Revenue	1	**15,900.0**	**12,409.9**
Replacement cost of goods sold		**(9,088.5)**	(6,382.3)
Net inventory gain/(loss)	2	**126.6**	(256.6)
Sales duties, taxes and commissions		**(4,965.5)**	(4,426.6)
Import freight expenses		**(220.0)**	(274.0)
Historical cost of goods sold		**(14,147.4)**	**(11,339.5)**
Gross profit		**1,752.6**	**1,070.4**
Net (loss)/gain on other disposal of property, plant and equipment		**(0.4)**	5.5
Net profit on sale of investments	2	**–**	106.4
Other income	2	**56.1**	24.9
Other income		**55.7**	**136.8**
Transportation expenses		**(255.0)**	(236.0)
Salaries and wages		**(281.7)**	(266.3)
General and administration expenses		**(160.9)**	(147.9)
Maintenance expenses		**(105.5)**	(93.5)
Lease related expenses	12	**(6.2)**	(11.8)
Sales and marketing expenses		**(88.8)**	(81.3)
		910.2	370.4
Interest income		**1.9**	4.4
Share of profit of associates	29	**0.6**	10.6
Realised/unrealised gain on derivatives	2	**31.0**	35.3
Net foreign exchanges loss	2	**(14.5)**	(28.5)
Depreciation and amortisation expenses	2	**(394.7)**	(388.8)
Finance costs	2	**(191.1)**	(189.9)
Profit/(loss) before income tax		**343.4**	**(186.5)**
Income tax (expense)/benefit	27	**(110.5)**	150.3
Profit/(loss) after tax		**232.9**	**(36.2)**

Earnings per share		**cents**	**cents**
Basic earnings per share	4	**14.6**	(1.9)
Diluted earnings per share	4	**14.5**	(1.9)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Notes	2021 $M	2020 $M
Profit/(loss) for the year		**232.9**	(36.2)
Other comprehensive income/(loss)			
Other comprehensive income that may be reclassified to profit or loss in subsequent years (net of tax)			
Recycling of unrealised gains on cash flow hedges on disposal of investment in Waypoint REIT	29	**–**	6.3
Other comprehensive income not to be reclassified to profit or loss in subsequent years (net of tax)			
Changes in fair value of equity investments (net of tax)		**(0.6)**	–
Remeasurement of retirement benefit obligations	32	**6.5**	(2.4)
Net other comprehensive income		**5.9**	3.9
Total comprehensive income/(loss) for the year (net of tax)		**238.8**	(32.3)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2021

	Notes	2021 $M	2020 $M
ASSETS			
Current assets			
Cash and cash equivalents	6	**96.7**	49.1
Trade and other receivables	8	**1,293.1**	794.1
Inventories	5	**1,179.5**	698.8
Assets classified as held for sale	11	**1.4**	2.9
Derivative assets	20	**6.8**	–
Prepayments	9	**28.0**	27.6
Current tax assets		**–**	21.0
Total current assets		**2,605.5**	**1,593.5**
Non-current assets			
Long-term receivables	13	**40.6**	33.6
Property, plant and equipment	11	**1,517.4**	1,475.2
Right-of-use assets	12	**2,184.8**	2,321.5
Goodwill and other intangible assets	16	**621.5**	646.7
Post-employment benefits	32	**6.8**	0.2
Investments accounted for using the equity method	29	**16.0**	15.4
Financial assets at fair value through other comprehensive income	14	**9.2**	–
Net deferred tax assets	27	**305.9**	325.8
Other non-current assets		**1.2**	2.1
Total non-current assets		**4,703.4**	**4,820.5**
Total assets		**7,308.9**	**6,414.0**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	10	**2,145.7**	1,329.6
Provisions	17	**143.1**	122.0
Short-term lease liabilities	12, 22	**149.4**	135.9
Derivative liabilities	20	**8.6**	19.4
Current tax liabilities		**34.2**	–
Total current liabilities		**2,481.0**	**1,606.9**
Non-current liabilities			
Provisions	17	**96.2**	104.0
Long-term borrowings	21	**191.9**	153.3
Long-term lease liabilities	12, 22	**2,331.1**	2,398.4
Long-term payables	15	**96.8**	94.3
Total non-current liabilities		**2,716.0**	**2,750.0**
Total liabilities		**5,197.0**	**4,356.9**
Net assets		**2,111.9**	**2,057.1**
Equity			
Contributed equity	23	**4,252.5**	4,373.9
Treasury shares	23	**(12.7)**	(6.8)
Reserves	23	**(4,201.7)**	(4,216.6)
Retained earnings		**2,073.8**	1,906.6
Total equity		**2,111.9**	**2,057.1**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Notes	Contributed equity $M	Treasury shares $M	Reserves $M	Retained earnings $M	Total equity $M
Balance at 1 January 2020		4,861.3	(14.2)	(4,246.5)	2,123.3	2,723.9
Statutory loss for the year		–	–	–	(36.2)	(36.2)
Other comprehensive income recycled on sale of investment		–	–	6.3	–	6.3
Remeasurement of retirement benefit obligations	32	–	–	(2.4)	–	(2.4)
Total comprehensive loss for the year		–	–	3.9	(36.2)	(32.3)
Dividends paid (net of dividends paid on treasury shares)	24	–	–	–	(180.5)	(180.5)
Reserve arising from IPO		–	–	1.0	–	1.0
Share buy-back		(72.3)	–	22.0	–	(50.3)
Capital return to shareholders		(415.1)	1.0	(0.3)	–	(414.4)
Share-based payment reserve movement		–	–	3.3	–	3.3
Issue of shares to plan participants		–	15.7	–	–	15.7
Purchase of treasury shares		–	(9.3)	–	–	(9.3)
Balance at 31 December 2020		**4,373.9**	**(6.8)**	**(4,216.6)**	**1,906.6**	**2,057.1**
Balance at 1 January 2021		**4,373.9**	**(6.8)**	**(4,216.6)**	**1,906.6**	**2,057.1**
Statutory profit for the year		**–**	**–**	**–**	**232.9**	**232.9**
Remeasurement of retirement benefit obligations	32	**–**	**–**	**6.5**	**–**	**6.5**
Changes in the fair value of equity investments through other comprehensive income		**–**	**–**	**(0.6)**	**–**	**(0.6)**
Total comprehensive income for the year		**–**	**–**	**5.9**	**232.9**	**238.8**
Dividends paid (net of dividends paid on treasury shares)	24	**–**	**–**	**–**	**(65.7)**	**(65.7)**
Share buy-back	23a, 23c	**(21.7)**	**–**	**3.7**	**–**	**(18.0)**
Capital return to shareholders	23a	**(99.7)**	**0.3**	**(0.2)**	**–**	**(99.6)**
Share-based payment reserve movement	23c	**–**	**–**	**5.5**	**–**	**5.5**
Issue of shares to plan participants	23b	**–**	**3.2**	**–**	**–**	**3.2**
Purchase of treasury shares	23b	**–**	**(9.4)**	**–**	**–**	**(9.4)**
Balance at 31 December 2021		**4,252.5**	**(12.7)**	**(4,201.7)**	**2,073.8**	**2,111.9**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 31 December 2021

	Notes	2021 $M	2020 $M
Operating activities			
Receipt from trade and other debtors		**19,225.4**	15,937.0
Payments to suppliers and employees		**(18,529.7)**	(15,585.7)
JobKeeper payments received		**6.2**	21.8
Refinery production payments received		**44.7**	–
Interest received		**1.9**	4.4
Interest paid on loans		**(8.4)**	(8.0)
Interest paid on lease liabilities		**(173.3)**	(171.0)
Net income tax (paid)/refund		**(36.1)**	11.8
Net cash flows from operating activities	7	**530.7**	**210.3**
Investing activities			
Payments for purchases of property, plant and equipment and intangibles		**(185.1)**	(158.5)
Proceeds from sale of property, plant and equipment		**5.1**	15.0
Purchase of land for resale		**(0.9)**	(6.8)
Proceeds from sale of land		**2.5**	6.8
Net cash consideration paid for step acquisition of associate		**–**	(1.0)
Purchase of subleases from associate		**(4.2)**	–
Purchase of financial assets		**(10.1)**	–
Net cash consideration paid for acquisitions		**(1.5)**	–
Proceeds from sale of investments	29	**–**	730.1
Share buy-back		**(18.0)**	(50.3)
Net purchase of employee share options		**(9.4)**	(8.8)
Dividends received from associates	29	**–**	19.8
Loan repayment from associate		**4.2**	–
Net cash flows (used)/contributed in investing activities		**(217.4)**	**546.3**
Financing activities			
Drawdown of borrowings		**3,985.0**	1,120.0
Repayments of borrowings		**(3,945.0)**	(1,227.2)
Dividends paid (net of dividend paid on treasury shares held)	24	**(65.7)**	(180.5)
Capital return (net of return paid on treasury shares held and transaction costs)		**(99.6)**	(414.4)
Upfront financing cost paid and capitalised		**(2.7)**	(0.1)
Repayment of lease liability		**(137.7)**	(124.8)
Net cash flows used in financing activities		**(265.7)**	**(827.0)**
Net increase/(decrease) in cash and cash equivalents		**47.6**	(70.4)
Cash and cash equivalents at the beginning of the year		**49.1**	119.5
Cash and cash equivalents at the end of the year	6	**96.7**	**49.1**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

General information

Reporting entity

The consolidated financial statements of Viva Energy Group Limited ('Company') and the entities it controlled (collectively, 'Group') for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Directors on 21 February 2022. The Company is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX: VEA).

The Group is principally engaged in refining, marketing, sale, supply and distribution of fuel and related specialty products. The Group's principal place of business is Level 16, 720 Bourke Street, Docklands, Australia.

Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- COVID-19 has continued to impact the performance of the Group, with the Retail, Aviation, Marine and Refinery businesses, in particular, unable to return to pre-COVID-19 volumes due to ongoing restrictions limiting travel and mobility across Australia;
- the Group recognised income from the Australian Federal Government of $56.1 million in relation to the Temporary Refinery Production Payment (TRPP) and the Fuel Security Services Payment (FSSP) that were introduced in the period, as well as COVID-19 JobKeeper support (see note 2);
- share buy-back program activities during the period reduced shares on issue by 7,924,716 ordinary shares (see note 23);
- a capital return was undertaken in October 2021, which returned $99.7 million to shareholders, with associated share consolidation activities reducing shares on issue by 48,223,469 ordinary shares (see note 23).

Basis of preparation

Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a going concern basis. The Directors have made this assessment on the basis that the Group has sufficient liquidity and undrawn borrowing facilities to meet its obligations and pay its debts as and when they fall due.

The financial report has been prepared on a historical cost basis, except for financial assets and liabilities (including derivative instruments, equity securities and defined benefit plan assets and liabilities), which have been measured at fair value.

The Group's consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report is presented in Australian dollars. In accordance with ASIC Legislative Instrument 2016/191, all values are rounded to the nearest one hundred thousand ($100,000), or in certain cases, to the nearest one thousand ($1,000).

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Use of estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are highlighted below.

- Information about the assumptions and the risk factors relating to impairment are described in Note 8 Trade and other receivables and Note 16 Goodwill and other intangible assets.
- Note 11 Property, plant and equipment describes the policy and estimation of minimum operating stock and also the process of assessing for impairment of property, plant and equipment.
- Note 12 Leases provides an explanation of the key assumptions used to determine the lease related right-of-use assets and lease liabilities.
- Note 16 Goodwill and other intangible assets outlines the key assumptions and methodology used to assess the carrying value of the Groups goodwill for impairment.
- Note 17 Provisions provides key sources of estimation, uncertainty and assumptions used in regards to estimation of provisions.
- Note 19 Financial assets and liabilities and Note 25 Fair value of financial assets and liabilities provide an explanation of the key assumptions used to determine the fair value of financial assets and liabilities.
- Information about the assumptions and the risk factors relating to income tax expense and deferred tax balances are described in Note 27 Income tax and deferred tax.

New and revised accounting standards

In the current reporting period, with the exception of updated guidance relating to accounting for software as a service, there were no new or amended accounting standards or interpretations issued by the Australian Accounting Standards Board that required the Group to change its accounting policies.

In 2021, updated guidance was released by the International Financial Reporting Interpretations Committee on accounting for configuration or customisation costs in a cloud computing or software as a service (SaaS) arrangement. The implementation of the new guidance has resulted in a Group accounting policy change for SaaS arrangements. This accounting policy change did not have a material impact on the prior year.

Standards issued but not yet effective as at 31 December 2021

A number of new accounting standards and interpretations have been published that are not yet effective for periods beginning 1 January 2021 and have not been early adopted by the Group. These standards and interpretations applicable from periods beginning 1 January 2022 or beyond as noted by the effective date are not expected to have a material effect on the consolidated financial statements.

Reclassification and changes in financial presentation

Where presentation and classification of items in the consolidated financial statements changes, the comparative amounts are also reclassified unless it is impractical to do so. The nature, amounts and reason for the reclassification are also disclosed. If the reclassification affects an item on the balance sheet, a third consolidated statement of financial position is also presented.

Results for the year

1. Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2021 $M	2020 $M
Revenue from contracts from customers		
Revenue from sale of goods	**15,670.6**	12,200.8
Non-fuels income	**197.5**	182.3
	15,868.1	12,383.1
Other revenue	**31.9**	26.8
Total revenue	**15,900.0**	12,409.9

Revenue from sale of goods

The Group primarily generates revenue from the sale of refined products in Australia directly to motor vehicle users via the Shell Coles Express Alliance network, directly or indirectly to service stations for sale to motor vehicle users, and to commercial businesses such as road transport, shipping companies, government bodies and airlines. The products that the Group sells are either refined at its own Geelong Refinery or imported into Australia as refined products.

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery.

Commercial customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. No element of financing is deemed present as the sales are made with a credit term of typically 15 to 45 days, which is consistent with market practice.

Revenue is recognised based on the price specified in the contract, net of expected returns, trade allowances, rebates and GST collected on behalf of third parties. Total revenue includes the recovery of excise paid.

Non-fuel income

Non-fuel income is principally from the site licence payments that the Group receives under a long-term alliance with Coles Express. Other non-fuel income includes income from the use of Shell Card and the payment of royalties on convenience sales at alliance retail sites.

(i) Site licence

The Group has granted to Coles Express a licence of the premises for the conduct of its business from that site. Calculation of the site licence fee payable by Coles Express is detailed in each Site Agreement and on commercial terms that are bespoke to the Alliance Arrangements. Revenue from licence fees is recognised over the licence period.

(ii) Brand licence fees

Licence fees relate to the right to access and to market fuel under the Shell brand. The Group (i.e. licensor) holds the licence to Shell brand and therefore retains the control over the brand. Revenue from licence fees is recognised over the licence period.

(iii) Shell Card fees

The Group offers Shell Cards that provide customers a secure and efficient way to buy quality fuels, access to an extensive national service stations network and the option to use online tools to manage fuel spending. The Group charges a monthly card fee to its customers for the use of the card. Revenue from Shell Card is recognised over a period of time. No element of financing is deemed present as the sales are made with a credit term of typically 15 to 45 days, which is consistent with market practice.

(iv) Royalties

The Group receives royalties on convenience store sales in excess of agreed sales thresholds. The amount payable to the Group is calculated on an annual basis as a percentage of any excess over a threshold amount of gross sales of certain kinds of goods and services made on certain sites. Revenue from royalties is recognised over a period of time.

Other revenue

Other income includes rental recoveries, income from subleases and management fees earned through the Aviation business. Other revenue is recognised as or when the Group satisfies its related performance obligations.

Assets and liabilities related to contracts with customers

There were no assets or liabilities recognised in the balance sheet related to revenue from contracts with customers because the period of amortisation is less than one year.

Disaggregation of revenue from contracts with customers

No one customer accounts for more than 10% of revenue.

2. Other profit or loss items

	2021 $M	2020 $M
Net inventory gain/(loss)	126.6	(256.6)

During the year, a net inventory gain of $126.6 million (2020: $256.6 million loss) was recorded in net inventory gain/(loss), which accounts for the net impact of movement in oil prices on inventory. Net inventory gains and losses within costs of goods sold represent the difference between the cost of goods sold calculated using the replacement cost of inventory and the cost of goods sold calculated on the FIFO method. Under the FIFO method, which is used to comply with accounting standard requirements, the cost of inventory charged to the statement of profit and loss is based on its historical cost of purchase or manufacture, rather than its replacement cost at the time of sale.

	2021 $M	2020 $M
Net profit on sale of investments	–	106.4

During the previous period the Group sold its 35.5% security holding in Waypoint REIT which contributed $113.9 million to the Group's 2020 pre-tax profit with net cash proceeds of $730.1 million after transaction costs. This amount, along with an offsetting $7.4 million business combination adjustment relating to the 2020 Westside Petroleum Pty Ltd acquisition comprised the $106.4 million net profit on sale of investments within other income in the consolidated statement of profit and loss. In the current period no investments were sold.

Other income	2021 $M	2020 $M
Temporary Refinery Production Payment	40.6	–
Fuel Security Services Payment	12.4	–
JobKeeper	3.1	24.9
Total other income	56.1	24.9

During the first half of 2021, as part of the Australian Government's Fuel Security Package, a Temporary Refinery Production Payment (TRPP) grant was available. Under the grant, the Group received a payment of $40.6 million. This program was superseded by the Federal Security Services Package (FSSP), which commenced on 1 July 2021 and will conclude on 30 June 2028 (unless extended at the option of the Group). The FSSP resulted in additional income of $12.4 million for the year.

In 2021 the Group also recorded income of $3.1 million from the Australian Government's 'JobKeeper' scheme, which continued to provide assistance to the Group in supporting employees in the most impacted parts of the business, particularly in the Aviation and Refining businesses. Payments received this period of $6.2 million, as per the consolidated statement of cash flows, relate to prior year accrued income in addition to current period income.

The JobKeeper, TRPP and FSSP income were accounted for as government grants and recognised at their fair value upon reasonable assurance that the grant would be received and the Group has complied with all attached conditions.

Realised/unrealised gains on derivatives	2021 $M	2020 $M
Derivative contracts	31.0	35.3

Results for the year continued

2. Other profit or loss items continued

The Group is exposed to the effect of changes in foreign exchange and commodity price movements. During the year the Group entered into derivative contracts, being principally foreign exchange currency contracts (forwards and swaps) and commodity derivative instruments for the purpose of managing the market risks arising from the Group's operations and to hedge market exposure.

Derivatives are recognised at fair value. The gain or loss on subsequent remeasurement is recognised immediately in the consolidated statement of profit or loss. For the year ended 31 December 2021 and including any open positions at balance date, gains of $31.0 million were made (2020: $35.3 million gain). The gains in the current period were the result of various commodity price movements and a weakening Australian dollar through the year.

Foreign exchange gain/(loss)	2021 $M	2020 $M
Foreign exchange gains	51.3	117.6
Foreign exchange losses	(65.8)	(146.1)
Net foreign exchange loss	(14.5)	(28.5)

Foreign currency transactions are translated into Australian dollars using the exchange rate at the date of transactions. Gains and losses resulting from the settlement of such transactions and from the translation of foreign exchange denominated monetary assets and liabilities at year-end exchange rates are recognised in the consolidated statement of profit or loss. The net foreign exchange gain/(loss) primarily relates to the foreign currency movements arising from the Group's trade and other payables.

Depreciation and amortisation expense	2021 $M	2020 $M
Depreciation of property, plant and equipment	(140.4)	(140.2)
Depreciation charge of right-of-use assets	(221.6)	(216.2)
Amortisation of intangible assets	(32.7)	(32.4)
Total depreciation and amortisation expense	(394.7)	(388.8)

Finance costs	2021 $M	2020 $M
Interest on borrowings, trade finance and commitment fees	(12.2)	(12.5)
Interest on lease liabilities	(173.3)	(171.0)
Unwinding of discount on provisions	(3.2)	(4.0)
Unwinding of discount on long-term payables	(2.4)	(2.4)
Total finance costs	(191.1)	(189.9)

3. Segment information

The Group has identified its operating segments on the basis of how the Chief Operating Decision Maker reviews internal reports about components of the Group to assess performance and determine the allocation of resources.

In the previous reporting period the segment classification consisted of:

- Retail, Fuels and Marketing
- Refining
- Supply, Corporate and Overheads

Since the last reporting period the Group has undertaken a review of the ways in which earnings are reported and tracked across the different business segments. The review considered the evolution of our strategy, the way in which the business is run practically, changes in executive team and accountabilities and external/investor feedback.

Whilst the number of segments remains the same, the historical Supply, Corporate and Overheads (S,C&O) segment is replaced with a Corporate segment. These changes are reflected in the Summary Statement of Profit or Loss in the Directors' Report, with the key changes detailed below.

All applicable S,C&O costs are allocated out of the historical S,C&O segment and into Retail, Fuels and Marketing (RFM) and Refining. Costs to be allocated include storage and handling, shipping and pipeline costs, functional costs such as Technology & Digital, Finance, People & Culture, Procurement, Insurance, and divisional employee incentives. Costs such as storage and handling will be allocated to businesses on a terminal by terminal basis in line with volumes of each business, while the majority of corporate costs will be directly allocated based on individual people and in limited cases split evenly between RFM (Retail and Commercial) and Refining. The historical S,C&O segment is replaced by the Corporate segment, which captures group level costs which cannot be meaningfully allocated to the segments. These changes are reflected in the current year segment information, and prior period information has been restated to align with the current period changes.

The Group is organised into business units based on operational activities and has three reportable segments:

Retail, Fuels and Marketing

The Retail, Fuels and Marketing segment consists of both retail and commercial sales and marketing of fuel and specialty products in Australia under the Shell, Liberty, Westside Petroleum and Viva Energy brands, as well as generation of substantial non-fuel income. All sales and marketing focused activities are included in this segment, in addition to an allocation of supply and corporate overheads.

Refining

The Group's Geelong Refinery in Corio, Victoria, refines crude oil into petrol, diesel and jet fuel. The refinery also manufactures and produces specialty products such as liquid petroleum gas, bitumen, oils, and chemical products. All refinery operating activities are included in this segment, including an allocation of supply and corporate overheads.

Corporate

The Corporate segment consists of group level costs which cannot meaningfully be allocated to the segments. All other corporate and overhead costs are allocated based on an appropriate cost driver.

The Group owns and manages an integrated supply chain of terminals, storage facilities, depots, pipelines and distribution assets throughout Australia in order to facilitate product distribution and delivery through wholesale and retail sites. Revenues and costs associated with Supply and Distribution are allocated to the operating segments based on appropriate cost drivers, most commonly, sales volumes.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. The performance of operating segments is evaluated based on segment profit and loss, and is measured consistently with profit or loss in the consolidated financial statements in accordance with the Group's accounting policies. Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties.

Geographical information

The Group's country of domicile is Australia. The Group has operations in Australia, Singapore and Papua New Guinea. All of the Group's non-financial non-current assets are located in Australia.

Results for the year continued

3. Segment information continued

Information about reportable segments

31 December 2021	Retail, Fuels and Marketing $M	Refining $M	Corporate $M	Total segments $M
Segment revenue:				
Total segment revenue	15,900.0	4,842.0	–	20,742.0
Inter-segment revenue	–	(4,842.0)	–	(4,842.0)
External segment revenue	15,900.0	–	–	15,900.0
Gross profit	1,340.7	285.3	–	1,626.0
Net inventory gain	113.7	12.9	–	126.6
Gross profit	1,454.4	298.2	–	1,752.6
Profit/(loss) before interest, tax, depreciation and amortisation	822.9	124.5	(20.1)	927.3
Interest income	–	–	1.9	1.9
Depreciation and amortisation expenses	(328.6)	(63.3)	(2.8)	(394.7)
Finance costs	(184.8)	(3.6)	(2.7)	(191.1)
Segment profit/(loss) before tax expense	309.5	57.6	(23.7)	343.4
Other material items:				
Capital expenditure	81.6	103.5	–	185.1

31 December 2020	Retail, Fuels and Marketing $M	Refining $M	Corporate $M	Total segments $M
Segment revenue:				
Total segment revenue	12,409.9	2,854.7	–	15,264.6
Inter-segment revenue	–	(2,854.7)	–	(2,854.7)
External segment revenue	**12,409.9**	–	–	**12,409.9**
Gross profit	1,273.2	53.8	–	1,327.0
Net inventory loss	(198.9)	(57.7)	–	(256.6)
Gross profit	**1,074.3**	**(3.9)**	–	**1,070.4**
Profit/(loss) before interest, tax, depreciation and amortisation	**473.5**	**(184.3)**	**98.6**	**387.8**
Interest income	–	–	4.4	4.4
Depreciation and amortisation expenses	(311.2)	(74.8)	(2.8)	(388.8)
Finance costs	(183.6)	(3.6)	(2.7)	(189.9)
Segment profit/(loss) before tax expense	**(21.3)**	**(262.7)**	**97.5**	**(186.5)**
Other material items:				
Capital expenditure	37.7	119.7	–	157.4

4. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive options into ordinary shares. In line with the requirements of AASB 133 *Earnings per Share* adjustments to the weighted average number of ordinary and diluted shares are made for events, other than the conversion of potential ordinary shares, that have changed the number of shares outstanding without a corresponding change in resources.

The following tables reflect the earnings and share data used in the basic and diluted EPS computations:

(a) Basic earnings per share

	2021 Cents	2020 Cents
Total basic earnings per share attributable to the ordinary equity holders of the Group	**14.6**	(1.9)

(b) Diluted earnings per share

	2021 Cents	2020 Cents
Total diluted earnings per share attributable to the ordinary equity holders of the Group	**14.5**	(1.9)

(c) Weighted average number of shares used as the denominator

	2021 Number	2020 Number
Weighted number of ordinary shares used as the denominator in calculating basic earnings per share	**1,593,579,427**	1,865,755,543
Adjustments for calculation of weighted diluted earnings per share:		
Options	**10,378,108**	8,206,118
Weighted number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**1,603,957,535**	1,873,961,661

(d) Information concerning the classification of securities

Ordinary shares

Ordinary shares at 31 December 2021 of 1,551,490,462 represent the 1,944,535,168 shares listed on the ASX as part of the IPO on 13 July 2018, adjusted for the reduction of 357,722,143 ordinary shares as a result of share consolidations undertaken by the Group in 2020 and 2021, and further reductions of 35,322,563 ordinary shares through 2020 and 2021 share buy-back activities.

Any profit is available for distribution to the holders of Viva Energy Group Limited ordinary shares in equal amounts per share, subject to the Group's approved dividend strategy.

Options and rights

Options and rights granted to employees are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the exercise price of the options is lower than the listed share price of Group shares as at 31 December 2021 or if it is considered likely that performance conditions in relation to the rights will be achieved. The options and rights have not been included in the determination of basic earnings per share. Details relating to the options and rights are set out in Note 33 Related party disclosures.

Notes to the consolidated financial statements continued

Working capital and cash flow

5. Inventories

	2021 $M	2020 $M
Crude for processing	**235.6**	141.2
Hydrocarbon finished products	**910.8**	526.6
	1,146.4	667.8
Stores and spare parts	**33.1**	31.0
Total inventories	**1,179.5**	**698.8**

Inventories are stated at the lower of cost and net realisable value. Cost is based on the First In, First Out (FIFO) principle and includes the direct cost of acquisition or manufacture.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of inventories is recognised when net realisable value falls below carrying cost. This primarily occurs as a result of movements in crude oil and refined product prices between the date of purchase and balance date, and is recorded in net inventory gain/(loss) in the consolidated statement of profit or loss. No inventory impairment was recognised during the year (2020: nil).

6. Cash and cash equivalents

	2021 $M	2020 $M
Cash at bank per consolidated statement of financial position	**96.7**	49.1

Cash and cash equivalents include cash deposits held at call with financial institutions. Cash at bank earns interest at floating rates based on daily bank deposit rates during the year, and at the end of the reporting year there were no restrictions on cash (2020: nil).

7. Reconciliation of profit to net cash flows from operating activities

	2021 $M	2020 $M
Profit/(Loss)	232.9	(36.2)
Adjustments for:		
Net loss/(gain) on disposal of property, plant and equipment	0.4	(5.5)
Net profit on sale of investment	–	(113.9)
Depreciation and amortisation	173.1	172.6
Depreciation of right-of-use assets	221.6	216.2
Non-cash interest and amortisation on long-term loans	7.0	7.9
Non-cash loss on remeasurement of investment	–	7.4
Unrealised (gain)/loss on derivatives	(17.6)	0.6
Unrealised foreign exchange movements	14.3	10.2
Share of associate's profit not received as dividends or distributions	(0.6)	(10.6)
Non-cash employee share option taken up in reserves	8.1	10.9
Non-cash treasury shares granted to employees	0.8	1.1
Non-cash gain on early termination of leases	(1.0)	–
Non-cash tax expense relating to IPO transaction cost offset against IPO reserve	–	1.0
Net cash flows from operating activities before movements in assets/liabilities	639.0	261.7
Movements in assets and liabilities:		
Working capital balances		
(Increase)/decrease in receivables	(502.3)	456.3
(Increase)/decrease in inventories	(480.8)	497.9
Increase/(decrease) in payables	801.3	(859.6)
Other		
(Increase)/decrease in other assets	(12.3)	6.0
Decrease/(increase) in deferred tax assets	17.5	(158.3)
Decrease in post-employment benefits	2.8	3.0
Decrease in tax asset	55.2	10.2
Increase/(decrease) in provisions	10.3	(6.9)
Net cash flows from operating activities	530.7	210.3

Movements in the assets and liabilities in the comparative 2020 period were adjusted for the assets and liabilities transferred from Westside Petroleum Pty Ltd, which was acquired on 31 August 2020, as well as elimination of intercompany balances due to the acquisition.

Working capital and cash flow continued

8. Trade and other receivables

	2021 $M	2020 $M
Trade receivables		
Trade receivables	**1,157.2**	658.5
Allowance for impairment of receivables	**(5.5)**	(5.1)
Total trade receivables	**1,151.7**	**653.4**
Other receivables		
Receivables from related parties (Note 33)	**17.6**	12.3
Receivables from associates	**36.4**	39.5
Loan to associates	**–**	13.7
Finance lease receivables (Note 12)	**1.4**	1.1
Other debtors	**86.0**	74.1
Total other receivables	**141.4**	**140.7**
Total trade and other receivables	**1,293.1**	**794.1**

Trade receivables

Trade receivables are non-interest-bearing and are generally on terms of 15 to 45 days. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and are held with the objective to collect the contractual cash flows, and therefore subsequently measured at amortised cost using the effective interest method. Due to the short-term maturity, the carrying amount approximates the fair value. Periodically, the Group enters into factoring arrangements on specific trade receivable balances as part of their overall collections strategy. At 31 December 2021 there were no outstanding trade receivables subject to factoring (2020: nil).

The Group applies the AASB 9 *Financial Instruments* simplified approach to measuring trade receivable expected credit losses which uses a lifetime expected loss allowance for expected credit losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over past periods using historical data and also using forward looking projections of customer payment expectations. Trade receivables are often insured for events of non-payment, through third party insurance, which has also been factored into the expected loss rate calculations.

The loss allowance as at 31 December 2021 was determined as follows for trade receivables:

31 December 2021	Total $M	Current $M	Not more than 30 days past due $M	More than 30 days but not more than 60 days past due $M	More than 60 days but not more than 90 days past due $M	More than 90 days but not more than 120 days past due $M	More than 120 days past due $M
Expected loss rate		**0.1%**	**1.0%**	**2.0%**	**5.0%**	**10.0%**	**30.0%**
Gross carrying amount – trade receivables	**1,157.2**	**1,136.5**	**5.2**	**1.8**	**0.7**	**0.0**	**13.0**
Loss allowance	**(5.5)**	**(1.3)**	**(0.1)**	**(0.1)**	**(0.1)**	**(0.0)**	**(3.9)**

31 December 2020	Total $M	Current $M	Not more than 30 days past due $M	More than 30 days but not more than 60 days past due $M	More than 60 days but not more than 90 days past due $M	More than 90 days but not more than 120 days past due $M	More than 120 days past due $M
Expected loss rate		0.3%	1.0%	2.0%	5.0%	10.0%	70.0%
Gross carrying amount – trade receivables	**658.5**	632.8	18.8	1.7	0.8	0.2	4.2
Loss allowance	**(5.1)**	(1.9)	(0.2)	(0.1)	(0.0)	(0.0)	(2.9)

Movements in the allowance for impairment of receivables were as follows:

	2021 $M	2020 $M
Opening loss allowance as at 1 January	(5.1)	(4.2)
Increase in loss allowance recognised in profit or loss during the year	(1.5)	(1.3)
Receivables written off as uncollectible	1.1	0.9
Amount recognised as a result of acquisitions	–	(0.5)
Closing loss allowance as at 31 December	(5.5)	(5.1)

The creation and release of loss allowances for trade receivables has been included within general and administration expense in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no reasonable expectation of recovering additional cash.

Other receivables

Other receivables include receivables from related parties and other debtors of which the majority relates to GST receivable balances and other specific receivable balances. Other receivables are measured at amortised cost as they are held with the objective to collect contractual cash flows of principal and interest payments. Given the nature of the other receivable balances and based on both previous history of collections and future expectations of receipts, the Group believes that other receivables are fully collectable and have not applied a credit loss allowance to these balances.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within trade and other receivables or trade and other payables in the consolidated statement of financial position.

9. Prepayments

	2021 $M	2020 $M
Prepayments	28.0	27.6

Prepayments primarily relate to prepaid council rates, insurance and shipping related costs. In addition, as at 31 December 2021 the Group continues to recognise a $7.5 million (2020: $7.5 million) prepayment to the State Revenue Office relating to the stamp duty contingency outlined in Note 18 Commitments and contingencies.

10. Trade and other payables

	2021 $M	2020 $M
Trade payables	806.5	507.8
Amounts due to related parties	1,339.1	821.7
Amounts due to associates	0.1	0.1
Total trade and other payables	2,145.7	1,329.6

Trade payables and amounts due to related parties and associates are non-interest-bearing and are normally settled in 30 to 60 days. Amounts due to related parties are primarily for purchases of hydrocarbon. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Long-term assets and liabilities

11. Property, plant and equipment

	Construction in progress $M	Freehold land $M	Freehold buildings $M	Plant and equipment $M	Total $M
As at 1 January 2020					
Opening net book value	171.0	115.9	149.7	1,038.2	1,474.8
Acquisition of Westside Petroleum	–	–	–	6.0	6.0
Additions	155.4	6.8	–	3.2	165.4
Disposals	–	(7.4)	(1.5)	(8.2)	(17.1)
Depreciation	–	–	–	(140.2)	(140.2)
Change of ARO discount/inflation rate	–	–	–	4.5	4.5
Transfers*	(209.9)	3.5	8.3	182.8	(15.3)
As at 31 December 2020	**116.5**	**118.8**	**156.5**	**1,086.3**	**1,478.1**
Cost	116.5	118.8	213.8	1,671.6	2,120.7
Accumulated depreciation	–	–	(57.3)	(585.3)	(642.6)
Balance as above	**116.5**	**118.8**	**156.5**	**1,086.3**	**1,478.1**
Assets held for sale	–	(2.7)	–	(0.2)	(2.9)
Property, plant and equipment	**116.5**	**116.1**	**156.5**	**1,086.1**	**1,475.2**
As at 1 January 2021					
Opening net book value	**116.5**	**118.8**	**156.5**	**1,086.3**	**1,478.1**
Additions	**182.3**	**0.9**	**0.3**	**6.6**	**190.1**
Disposals	**–**	**(3.1)**	**(0.9)**	**(3.6)**	**(7.6)**
Depreciation	**–**	**–**	**(11.0)**	**(129.4)**	**(140.4)**
Change of ARO discount/inflation rate	**–**	**–**	**–**	**0.2**	**0.2**
Transfers**	**(109.2)**	**(1.6)**	**(8.3)**	**117.5**	**(1.6)**
As at 31 December 2021	**189.6**	**115.0**	**136.6**	**1,077.6**	**1,518.8**
Cost	**189.6**	**115.0**	**213.5**	**1,759.9**	**2,278.0**
Accumulated depreciation	**–**	**–**	**(76.9)**	**(682.3)**	**(759.2)**
Balance as above	**189.6**	**115.0**	**136.6**	**1,077.6**	**1,518.8**
Assets held for sale	**–**	**(1.4)**			**(1.4)**
Property, plant and equipment	**189.6**	**113.6**	**136.6**	**1,077.6**	**1,517.4**

* Net transfers of $15.3 million in 2020 represent $4.5 million in software transferred out from construction in progress to intangibles and assets under lease transferred to right-of-use assets.

** Net transfers of $1.6 million in 2021 represent $2.2 million in software transferred out from construction in progress to intangibles, offset by $0.6 million in reclassifications.

Property, plant and equipment additions during the year includes $36.2 million in major maintenance spend undertaken at the refinery (2020: $92.3 million).

All property, plant and equipment is stated at historical cost less depreciation, with the exception of construction in progress and freehold land which are not subject to depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings 20 years
- Plant and equipment 4 to 15 years
- Supply and refining infrastructure 20 to 30 years
- Land Not depreciated

Minimum operating stock – significant estimate

Minimum operating stock, which is the minimum level of inventories held in the entire supply chain and is necessary to operate supply and refining as a going concern, is treated as part of property, plant and equipment. The process of identifying the minimum operating stock volume estimate involves calculations in consultation with engineers responsible for the Group's refining, supply and distribution operations. Minimum operating stock is valued at cost.

Assets held for sale

The Group has a number of in use property, plant and equipment assets that are classified as held for sale from continuing operations. As at 31 December 2021, these assets totalling $1.4 million comprised mainly retail assets (2020: $2.9 million) and meet the AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* classification requirements.

Refining assets

During the current period the Australian Federal Government implemented a long-term Fuel Security Package to support and enhance the long-term viability of Australia's refining industry. The payment support provided to the Group will run until at least 30 June 2028, with the Group having the option to extend the support until at least 30 June 2030. The payment support structure has been designed to protect earnings during periods of low refining margins, providing for more certain and reliable cash flow. In a cap and collar approach, the payment will commence when the relevant margin marker falls below $10.20 per oil barrel (bbl). The support will increase from 0 cents per litre (cpl) to 1.8 cpl (or $0.0/bbl to $2.90/bbl), on a linear basis until the support caps at the margin marker level of $7.30/bbl. Below this margin level, full support at 1.8 cpl ($2.90/bbl) will be provided. To receive this support, the Group has committed to continue its refining operations over the support period.

The Group's property, plant and equipment includes refining assets with a net book value of $426.2 million as at 31 December 2021. In line with AASB 136 *Impairment of Assets* the refining assets have been subject to an assessment as to whether any indication of asset impairment exists. In 2020 impairment triggers were identified amidst globally suppressed oil prices contributing to a challenging environment for the refinery. In assessing the refinery at year-end 2021, with the introduction of the Governments Fuel Security Package designed to underpin the financial viability of the refinery and its asset base, and a more favourable present and future economic outlook for the refining industry, the assessment concluded that no impairment triggers were identified in relation to the refining assets.

Long-term assets and liabilities continued

12. Leases

This note provides information on the Group leases accounted for under AASB 16 *Leases*.

(a) Amounts recognised on the consolidated statement of financial position

Right-of-use assets	2021 $M	2020 $M
Retail sites	**2,000.1**	2,111.9
Supply and distribution sites	**151.0**	173.6
Corporate offices	**33.5**	35.6
Motor vehicles	**0.2**	0.4
Total right-of-use assets	**2,184.8**	2,321.5

Net additions and transfers to right-of-use assets during the year were $84.9 million (2020: $209.6 million). These additions were offset by depreciation expense of $221.6 (2020: $216.2 million).

Lease liabilities	2021 $M	2020 $M
Current	**149.4**	135.9
Non-current	**2,331.1**	2,398.4
Total lease liabilities	**2,480.5**	2,534.3

Finance lease receivable	2021 $M	2020 $M
Current	**1.4**	1.1
Non-current	**6.9**	7.3
Total finance lease receivable	**8.3**	8.4

Finance lease receivables are disclosed within Trade and other receivables in the consolidated statement of financial position.

(b) Amounts recognised on the consolidated statement of profit or loss

	2021 $M	2020 $M
Depreciation charge of right-of-use assets		
Retail sites	**189.7**	181.1
Supply and distribution sites	**28.8**	31.8
Corporate offices	**2.8**	2.8
Motor vehicles	**0.3**	0.5
Total depreciation charge for right-of-use assets	**221.6**	216.2
Interest expense (included within finance costs)	**173.3**	171.0
Expense relating to short-term leases, leases of low-value assets and variable lease related payments not included in leases above	**6.2**	11.8

The total cash outflow for leases for the year amounted to $311.0 million (2020: $295.8 million).

(c) The Group's leasing activities and how they are accounted for

Group as a lessee

The Group leases various service station sites, office premises, vehicles and storage and handling facilities. Rental contracts are typically made for fixed periods of two to 15 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of amounts assessed to be included as lease payments under AASB 16 *Leases*.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

In line with accounting standard guidance, where leases have a fixed escalation rate, the fixed rate has been applied when accounting for the lease payments. No rate has been applied to leases that increase at the rate of the Consumer Price Index (CPI) or leases that have a variable escalation rate.

Right-of-use assets are measured at cost comprising the initial measurement of the lease liability and other components as required under AASB 16 *Leases*.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer equipment and small office related items.

Various extension and termination options are included in a number of leases across the Group. The Group has determined that the extension of the current Alliance with Coles Express to 2029 is an appropriate timeframe to base option renewals across the lease portfolio. Beyond this timeframe there is significant flexibility in terms of managing lease contracts. For the purposes of the requirements of AASB 16 *Leases*, all lease extension periods that occur prior to February 2029 have been assumed to be exercised.

Group as a lessor

The Group has historically undertaken leasing activities as a lessor relating to Coles Express and Liberty service station sites and pipeline assets under non-cancellable operating leases expiring within two to 16 years, with varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

In relation to the Group's historical sublease and licencing arrangements, after consideration of the underlying contracts, it has been determined that the inflows under these arrangements fall within the scope of AASB 15 *Revenue from Contracts with Customers*.

The acquisition of Westside Petroleum in 2020 added to the Group a number of sublease arrangements considered finance leases in accordance with AASB 16 *Leases*. As at 31 December 2021, finance leases have raised a current finance lease receivable of $1.4 million (2020: $1.1 million) and a non-current finance lease receivable of $6.9 million (2020: $7.3 million), which are included in the consolidated statement of financial position under trade and other receivables and long-term receivables respectively.

Future minimum income expected to be received in relation to non-cancellable sublease and licence agreements not classified as finance leases are as follows:

	2021 $M	2020 $M
Within one year	**172.0**	174.4
After one year but not more than five years	**553.2**	597.5
More than five years	**493.3**	600.1
Total	**1,218.5**	1,372.0

13. Long-term receivables

	2021 $M	2020 $M
Receivables	**6.9**	9.3
Loans to equity-accounted investees	**26.8**	17.0
Lease receivables (Note 12)	**6.9**	7.3
Total non-current receivables	**40.6**	**33.6**

Long-term assets and liabilities continued

14. Financial assets held at fair value through other comprehensive income

	2021 $M	2020 $M
Equity securities	9.2	–
Total financial assets held at fair value through other comprehensive income	9.2	–

In 2021, the Group purchased public securities in Waga Energy SA and Hyzon Motors Inc. In line with accounting standard requirements, after initial recognition any subsequent valuation measurements are recorded through other comprehensive income.

15. Long-term payables

	2021 $M	2020 $M
Coles Express long-term payable	96.8	94.3
Total non-current payables	96.8	94.3

The Coles Express long-term payable represents the present value recognition of a payment due in the future to Coles Express in relation to the transfer of inventory at the time of the Alliance Agreement Amendments that took effect 1 March 2019.

16. Goodwill and other intangible assets

	Goodwill $M	Software $M	Customer contracts $M	Joint venture rights $M	Other $M	Total $M
Net book value						
As at 1 January 2020	320.6	48.1	27.5	132.3	128.5	657.0
Acquisition of Westside Petroleum	19.2	0.1	–	–	–	19.3
Additions	–	1.1	–	–	–	1.1
Transfers	–	4.5	–	–	–	4.5
Adjustment on finalisation of Liberty business combination	(2.8)	–	–	–	–	(2.8)
Amortisation for the year	–	(5.9)	(4.9)	(7.6)	(14.0)	(32.4)
As at 31 December 2020	337.0	47.9	22.6	124.7	114.5	646.7
Cost	337.0	60.0	50.0	152.1	139.9	739.0
Accumulated amortisation	–	(12.1)	(27.4)	(27.4)	(25.4)	(92.3)
As at 31 December 2020	337.0	47.9	22.6	124.7	114.5	646.7
As at 1 January 2021	337.0	47.9	22.6	124.7	114.5	646.7
Additions	5.3	–	–	–	–	5.3
Transfers	–	2.2	–	–	–	2.2
Amortisation for the year	–	(7.9)	(3.2)	(7.5)	(14.1)	(32.7)
As at 31 December 2021	342.3	42.2	19.4	117.2	100.4	621.5
Cost	342.3	62.2	50.0	152.1	139.9	746.5
Accumulated amortisation	–	(20.0)	(30.6)	(34.9)	(39.5)	(125.0)
As at 31 December 2021	342.3	42.2	19.4	117.2	100.4	621.5

(a) Goodwill

Goodwill arises when the fair value of the consideration paid for a business acquisition exceeds the fair value of the identifiable assets and liabilities acquired. Where consideration is less than the fair value of acquired net assets, the difference is recognised immediately in the consolidated statement of profit and loss. Goodwill is not amortised and is measured at cost less any impairment losses. In accordance with Australian Accounting Standard requirements, goodwill is allocated to a Cash-Generating Unit (CGU) and is tested for impairment annually and whenever there is an indication that it may be impaired. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. A CGU level summary of the goodwill allocation is presented below.

	2021 $M	2020 $M
Marketing and Supply	**342.3**	337.0
Refining	**–**	–
Total goodwill recognised	**342.3**	**337.0**

Goodwill represents other intangible assets that did not meet the criteria for recognition as separately identifiable assets. Goodwill allocated to the Marketing and Supply CGU relates to the acquisition of Shell Aviation in 2017, the acquisition of Liberty Oil Holdings Pty Ltd in 2019, the Westside Petroleum Pty Ltd acquisition in 2020 and some small acquisitions in 2021.

Goodwill is tested for impairment annually based on a value-in-use calculation. The calculation uses post-tax cash flow projections based on financial budgets approved by management with growth rates consistent with industry expectations.

Key assumptions in the value-in-use calculation

Assumption	Approach used to determining values
Cash flow	Earnings before interest, tax, depreciation and amortisation adjusted for working capital movement expectations and capital spend projections
Estimated long-term average growth rate	2.5%
Post-tax discount rate	5.7%

The above key assumption values used in the goodwill assessment represent management's expectations of future trends within the industry of which the Marketing and Supply CGU operates, based on both external and internal data sources. The Group has considered and assessed reasonably possible changes in the key assumptions used and have not identified any instances that could cause the carrying amount of the Marketing and Supply CGU to exceed its recoverable amount.

There were no goodwill impairment losses recognised during the year ended 31 December 2021 (2020: nil).

(b) Other intangibles

The Group capitalises amounts paid for the acquisition of identifiable intangible assets, such as software, customer contracts and joint venture rights, where it is considered that they will provide benefit in future periods through revenue generation or reductions in costs. These assets, classified as finite life intangible assets, are carried in the consolidated statement of financial position at the fair value of consideration paid less accumulated amortisation and impairment losses. Other intangibles are assessed at the end of each reporting period for impairment indicators.

Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives. Amortisation for the period is included within the depreciation and amortisation expenses in the statement of profit and loss. The estimated useful lives in the current and comparative periods are reflected by the following amortisation periods:

- Software — 5 to 12 years
- Customer contracts — 6 to 10 years
- Joint venture rights — 20 years

(i) Software

Software primarily relates to the Group's enterprise platform, Oracle JDE, which was implemented in 2018. The Group estimates the useful life of the software to be at least 12 years based on the expected technical obsolescence of such asset. This useful life profile aligns with the written commitment to provide premier support of the platform, underpinning the asset integrity of the system until at least December 2030, not including extended support option periods generally available. The actual useful life may be shorter or longer than 12 years, depending on technical innovations.

Notes to the consolidated financial statements continued

Long-term assets and liabilities continued

16. Goodwill and other intangible assets continued

(b) Other intangibles continued

(ii) Customer contracts and joint venture rights

The customer contracts and joint venture rights were acquired as part of a business combination, namely, the Shell acquisition in 2014, the Shell Aviation acquisition in 2017 and the Liberty Oil Holdings Pty Limited acquisition in 2019. These intangible assets were recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

(iii) Other

On 27 February 2019, the Company announced the extension of the Alliance agreement with Coles Express through to 2029 under revised terms to create greater alignment between both parties and position the agreement for future growth. Under the revised terms, the Group paid Coles Express a one-off payment of $137.0 million to assume responsibility from 1 March 2019 for the provision of the fuel offering, including retail fuel pricing and marketing across the Alliance network. The Group has assessed the accounting treatment of this transaction under the reacquired rights guidance of the Australian Accounting Standards, and this has been recognised as an intangible asset to be amortised over the remaining life of the Alliance agreement.

17. Provisions

	Employee benefits $M	Restructuring provision $M	Asset retirement obligation $M	Environmental remediation $M	Other $M	Total $M
At 1 January 2021	**72.7**	**0.8**	**99.7**	**40.1**	**12.7**	**226.0**
Additions/(write-back)	41.6	3.5	(0.7)	4.2	1.2	49.8
Utilised	(26.7)	(4.3)	(1.7)	(8.9)	(1.3)	(42.9)
Unwinding	1.1	–	1.7	–	–	2.8
Change of discount/inflation	–	–	3.2	0.4	–	3.6
Transfers*	–	–	(7.7)	7.7	–	–
At 31 December 2021	**88.7**	**–**	**94.5**	**43.5**	**12.6**	**239.3**
Current	85.0	–	17.0	31.2	9.9	143.1
Non-current	3.7	–	77.5	12.3	2.7	96.2

	Employee benefits $M	Restructuring provision $M	Asset retirement obligation $M	Environmental remediation $M	Other $M	Total $M
At 1 January 2020	**73.8**	**0.9**	**94.4**	**40.1**	**14.3**	**223.5**
Additions/(write-back)	28.6	2.0	0.6	6.1	–	37.3
Provisions acquired	0.3	0.2	0.2	–	0.1	0.8
Utilised	(31.2)	(2.3)	(1.9)	(6.9)	(1.7)	(44.0)
Unwinding	1.2	–	1.9	0.5	–	3.6
Change of discount/inflation	–	–	4.5	0.3	–	4.8
At 31 December 2020	**72.7**	**0.8**	**99.7**	**40.1**	**12.7**	**226.0**
Current	70.5	0.8	7.3	33.3	10.1	122.0
Non-current	2.2	–	92.4	6.8	2.6	104.0

* In 2021 $7.7 million of asset retirement obligation provisions were reclassified to environmental remediation provisions as a result of a classification reassessment.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(a) Employee benefits

Liabilities for wages and salaries, including annual leave and long service leave expected to be settled within 12 months of the end of the year are measured at the amounts expected to be paid. These obligations are presented as current liabilities in the consolidated statement of financial position.

Liabilities for long service leave and annual leave that are not expected to be settled within 12 months of the end of the year are measured at present value. In determining present value, consideration is given to the expected future wage and salary levels, expectations of employee departures and periods of service. Expected future payments are adjusted for future wage and inflation movement expectations, and discounted using market yields of corporate bonds. As required by accounting standards, these obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur. However, based on past experience, the Group does not expect the full $85.0 million current employee benefits liability to be taken or paid out within the next 12 months. The following amounts reflect current leave obligations that are not expected to be taken or paid in the next 12 months.

	2021 $M	2020 $M
Current employee benefits liability expected to settle after 12 months	**49.2**	51.5

(b) Asset retirement obligation – significant estimate

The present value of costs for the future dismantling and removal of assets, and restoration of the site on which the assets are located, is capitalised and depreciated over the useful life of the asset. Subsequent accretion to the amount of a provision due to unwinding of discounting is recognised as a finance cost.

The costs for the future dismantling and removal of assets is based upon management's best estimate using actual costs incurred in similar past projects inflated to the estimated end of useful life date and discounted using an appropriate discount rate.

The Group has recognised a provision associated with plant and equipment including tanks at retail service station sites and fuel storage terminals. In determining the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the assets from the site and the expected timing of those costs. The carrying amount of the provision as at 31 December 2021 was $94.5 million (2020: $99.7 million). The Group estimates that the costs would be incurred upon lease expiry and subsequent exit of the relevant site.

As disclosed in Note 12 Leases, the Group's rental contracts are typically for two to 15 years, but may have extension options.

(c) Environmental provision – significant estimate

Provisions for environmental remediation resulting from ongoing or past operations or events are recognised in the period in which an obligation, legal or constructive, to a third party arises and the amount can be reasonably measured. Measurement of liabilities is based on current legal requirements and existing technology.

Where environmental impact studies have been completed, the result of this is used to estimate the cost of site remediation. In other cases, estimates are based on management experience of remediation at similar sites.

The Group has environmental provisions relating to various supply and distribution sites including the Clyde import terminal, which once operated as a refinery, and various owned retail sites. The carrying amount of the provision as at 31 December 2021 was $43.5 million (2020: $40.1 million). The environmental remediation work provided for is expected to be undertaken within the next three years.

(d) Other provisions

Other provisions include costs associated with the removal of contents and cleaning of tanks in preparation for demolition, and provisions against legal claims.

Long-term assets and liabilities continued

18. Commitments and contingencies

(a) Capital commitments

At 31 December 2021, the Group had capital expenditure contracted at the reporting date but not recognised as liabilities related to property, plant and equipment totalling $30.5 million (2020: $25.0 million). There are no capital commitments from associate companies at the end of the period, therefore the included amount from associates in the Group's overall amount is nil (2020: nil).

(b) Guarantees

As at 31 December 2021, guarantees amounting to $55.9 million (2020: $48.2 million) have been given in respect of the Group's share of workers compensation, surety for major contracts and other matters including government works.

Under the terms of the Deed of Cross Guarantee entered in accordance with ASIC Instrument 2016/785, each Australian Group entity guarantees to each creditor payment in full of any debt in accordance with the Deed. Parties to the Deed are identified in Note 31 Deed of Cross Guarantee. No liabilities have been recognised in the consolidated statement of financial position in respect of financial guarantee contracts.

(c) Contingencies and other disclosures

As at 31 December 2021, the Group has contingent liabilities of $13.8 million primarily related to legal matters that management considers it not probable that a present obligation exists (2020: $50.6 million).

Subsequent to 31 December 2021, a $31.2 million contingent liability that has been disclosed in the financial statements since 2018, relating to a stamp duty claim from the Victorian State Revenue Office, was reduced to nil. Refer to Note 35 Events occurring after the reporting period.

Capital funding and financial risk management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- the interest cover ratio must not be less than 3.0x;
- the liquidity ratio must not exceed 0.60; and
- the leverage ratio must not be more than 2.0x.

Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

19. Financial assets and liabilities

This table provides a summary of the Group's financial instruments, how they are classified and measured, and reference to relevant disclosure notes within the financial statements.

The Group holds the following financial instruments at the end of the reporting period:

	Notes	2021 $M	2020 $M
Financial assets			
Financial assets held at amortised cost			
Trade and other receivables	8	**1,293.1**	794.1
Long-term receivables	13	**40.6**	33.6
Cash and cash equivalents	6	**96.7**	49.1
Financial assets at fair value through profit and loss			
Derivative assets	20	**6.8**	–
Financial assets at fair value through other comprehensive income			
Equity securities	14	**9.2**	–
		1,446.4	**876.8**
Financial liabilities			
Financial liabilities held at amortised cost			
Trade and other payables	10	**2,145.7**	1,329.6
Long-term borrowings	21	**191.9**	153.3
Lease liabilities	12, 22	**2,480.5**	2,534.3
Long-term payables	15	**96.8**	94.3
Financial liabilities at fair value through profit and loss			
Derivative liabilities	20	**8.6**	19.4
		4,923.5	**4,130.9**

Capital funding and financial risk management continued

19. Financial assets and liabilities continued

Financial assets

(a) Initial recognition and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost; and
- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss).

The classification of financial assets at initial recognition depends on the financial assets contractual cash flow characteristics and business model the Group uses to manage them. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement of financial assets depends on the Group's business model for managing the asset and its associated cash flow characteristics. The Group's three measurement categories are as follows:

(i) Amortised cost

This category is the most relevant to the Group. Financial assets are measured at amortised cost if the asset is held within a business model to collect contractual cash flows where those cash flows represent solely payments of principal and interest. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include trade and other receivables, long-term receivables and cash and cash equivalents.

(ii) Fair value through other comprehensive income (FVOCI)

The Group measures financial assets at FVOCI if the financial asset is held within a business model to collect contractual cash flows and for selling the financial assets, where those cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest income and foreign exchange gains and losses, which are recognised in the consolidated statement of profit or loss. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group, however, can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured through profit or loss to present all subsequent changes, with the exception of dividends, in FVOCI, including upon derecognition. In 2021 the Group purchased public securities in Waga Energy SA and Hyzon Motors Inc., and on initial recognition of these financial assets elected to recognise any subsequent measurement at FVOCI.

(iii) Fair value through profit and loss (FVPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL and include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets required to be measured at fair value. Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. During the year, derivative assets were the only assets measured at FVPL.

(b) Derecognition

A financial asset is derecognised from the Group's consolidated statement of financial position when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset and has transferred substantially all the risks and rewards of the asset and/or control of the asset.

(c) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on the determined risk profile of each financial asset and the future expected credit risks relating to the identified asset. For trade receivables, the Group applies a simplified approach to calculating expected credit losses as permitted by AASB 9 *Financial Instruments*, recognising a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. See Note 8 Trade and other receivables for further details.

Financial liabilities

(a) Initial recognition and subsequent measurement

Financial liabilities are classified, at initial recognition, as financial liabilities measured at amortised cost (which for the Group are Trade and other payables, long-term payables, lease liabilities and borrowings) or as financial liabilities at FVPL. All financial liabilities are recognised initially at fair value and, in the case of payables and borrowings, net of directly attributable transaction costs. The subsequent measurement of financial liabilities depends on their classification, as described below:

(i) Amortised cost

This is the category most relevant to the Group and includes trade and other payables, lease liabilities, borrowings and long-term payables. Trade payables and amounts due to related parties are non-interest-bearing and are normally settled in 30 to 60 days. Amounts due to related parties are primarily for purchases of hydrocarbon. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the end of the reporting period. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Due to their short-term nature, the carrying amounts of trade and other payables are considered to be the same as their fair values. Trade and other payables, lease liabilities, borrowings and long-term payables are initially recognised at fair value net of transaction costs incurred, and subsequently measured at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss over the period of the liabilities using the effective interest method.

(ii) Fair value through profit and loss (FVPL)

Derivatives are the Group's only financial liabilities that are measured at FVPL. They are classified as held for trading and are entered into by the Group to mitigate exposure to the effects of changes in foreign exchange and commodity price movements. Changes in fair value of any derivative liabilities are recognised immediately in realised/unrealised (loss)/gain on derivatives in the consolidated statement of profit or loss.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

20. Derivative assets and liabilities

Derivatives are classified as held for trading and accounted for at fair value through profit or loss. The Group has the following derivative financial instruments at the end of the reporting period:

	2021 $M	2020 $M
Derivative assets	**6.8**	–
Derivative liabilities	**(8.6)**	(19.4)

The Group has determined the fair value, which is classified as Level 2 in the fair value hierarchy, using the present value of estimated future settlements based on market quoted information.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss category are presented in the consolidated statement of profit or loss within other income or other expenses in the period in which they arise. Interest income from these financial assets is recognised in the consolidated statement of profit or loss.

Capital funding and financial risk management continued

21. Long-term borrowings

	2021 $M	2020 $M
Long-term bank loans	**195.0**	155.0
Net capitalised borrowing costs on long-term bank loans	**(3.1)**	(1.7)
Total non-current borrowings	**191.9**	**153.3**

On 14 April 2021, the Group refinanced its US$700 million syndicated, revolving credit facility, expiring on 14 April 2024 with a one-year extension option. The facility is unsecured with terms and conditions consistent with the previous facility held in the comparative period.

At the end of the reporting period, the Group had access to the unsecured facility limit amounting to $964.7 million (2020: $908.9million unsecured) that was in place primarily for working capital purposes. The amount drawn at 31 December 2021 is $195.0 million (2020: $155.0 million). The weighted average interest rate on long-term bank loans in 2021 was 1.43% (2020: 1.47%).

This borrowing facility is subject to covenant arrangements disclosed under Capital funding and financial risk management on page 143.

22. Consolidated net debt

	2021 $M	2020 $M
Net debt		
Cash and cash equivalents	**96.7**	49.1
Borrowings – repayable after one year	**(191.9)**	(153.3)
Net debt excluding lease liabilities	**(95.2)**	**(104.2)**
Lease liabilities – repayable within one year	**(149.4)**	(135.9)
Lease liabilities – repayable after one year	**(2,331.1)**	(2,398.4)
Net debt including lease liabilities	**(2,575.7)**	**(2,638.5)**

	Other assets	Liabilities from financing activities				
Analysis of changes in consolidated net debt	**Cash/ overdrafts $M**	**Leases due within 1 year $M**	**Leases due after 1 year $M**	**Borrowings due within 1 year $M**	**Borrowings due after 1 year $M**	**Total $M**
Net debt as at 1 January 2020	127.2	(128.0)	(2,320.3)	(7.7)	(256.9)	(2,585.7)
Balances acquired on acquisition	(1.0)	(3.7)	(81.6)	(2.2)	–	(88.5)
Cash flows	(77.1)	124.8	–	9.9	105.0	162.6
Other non-cash movements		(129.0)	3.5	–	(1.4)	(126.9)
Net debt as at 31 December 2020	**49.1**	**(135.9)**	**(2,398.4)**	**–**	**(153.3)**	**(2,638.5)**
Cash flows	**47.6**	**137.7**	**–**	**–**	**(40.0)**	**145.3**
Other non-cash movements		**(151.2)**	**67.3**	**–**	**1.4**	**(82.5)**
Net debt as at 31 December 2021	**96.7**	**(149.4)**	**(2,331.1)**	**–**	**(191.9)**	**(2,575.7)**

23. Contributed equity and reserves

(a) Contributed equity

Ordinary shares are classified as equity. These shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Group in proportion to the number of and amounts paid on the shares held.

	2021 $M	2020 $M
Issued and paid up capital	**4,252.5**	4,373.9
Cost per share	**$2.741**	$2.720

Movements in ordinary share capital	Shares	$M
At 1 January 2020	**1,944,535,168**	4,861.3
Buy-back of shares, net of tax	**(27,397,847)**	(72.3)
Capital return to shareholders	**–**	(415.1)
Share consolidation	**(309,498,674)**	–
At 31 December 2020	**1,607,638,647**	**4,373.9**
At 1 January 2021	**1,607,638,647**	4,373.9
Buy-back of shares, net of tax	**(7,924,716)**	(21.7)
Capital return to shareholders		(99.7)
Share consolidation	**(48,223,469)**	–
At 31 December 2021	**1,551,490,462**	**4,252.5**

Share buy-back

During the period the Company purchased, and subsequently cancelled, 7,924,716 ordinary shares (2020: 27,397,847) on market as part of the Company's buy-back program. The cancellation of the shares has been treated as a reduction in share capital of $21.7 million (2020: $72.3 million), with the $3.7 million (2020: $22.0 million) difference between the par value of the purchased shares and the buy-back price being recorded against the Company's capital redemption reserve. The total value of the share buy-back during the period was $18.0 million (2020: $50.3 million).

Share consolidation

In 2021, the Group's capital management initiatives included a capital return to shareholders of $99.7 million (2020: $415.1 million). A share consolidation was then undertaken commensurate with the overall return to shareholders, reducing the number of ordinary shares by 48,223,469 (2020: 309,498,674).

(b) Treasury shares

Treasury shares are shares in Viva Energy Group Limited that are held by the Viva Energy Employee Share Plan Trust for the purpose of issuing shares under various share-based incentives plans. Shares issued to employees are recognised on the First In, First Out basis.

Movements in treasury shares	Shares	$M
At 1 January 2020	7,281,531	14.2
Acquisition of treasury shares (average price: $1.43 per share)	6,545,012	9.3
Transfer of shares to employees	(8,162,883)	(15.7)
Capital return to shareholders	–	(1.0)
Share consolidation	(792,000)	–
At 31 December 2020	**4,907,660**	**6.8**
At 1 January 2021	**4,907,660**	**6.8**
Acquisition of treasury shares (average price: $2.20 per share)	**4,269,221**	**9.4**
Transfer of shares to employees	**(2,510,384)**	**(3.2)**
Capital return to shareholders	**–**	**(0.3)**
Share consolidation	**(154,805)**	**–**
At 31 December 2021	**6,511,692**	**12.7**

Capital funding and financial risk management continued

23. Contributed equity and reserves continued

(c) Reserves

The following table shows a breakdown of the reserve balances and the movements in these reserves during the year.

	Post-employment benefits reserve $M	Share-based payment reserve $M	IPO reserve $M	Cash flow hedge reserve $M	Capital Redemption Reserve $M	Equity Investment Revaluation Reserve $M	Total $M
At 1 January 2020	5.6	(7.1)	(4,238.7)	(6.3)	–	–	(4,246.5)
Share-based payment expenses, net of tax	–	11.0	–	–	–	–	11.0
Contributions from employees	–	6.5	–	–	–	–	6.5
Issue of shares to employees	–	(14.2)	–	–	–	–	(14.2)
Movement in IPO reserve	–	–	1.0	–	–	–	1.0
Remeasurement of retirement benefit obligations	(2.4)	–	–	–	–	–	(2.4)
Other comprehensive income recycled on sale of investment	–	–	–	6.3	–	–	6.3
Share buy-back	–	–	–	–	22.0	–	22.0
Capital return	–	–	–	–	(0.3)	–	(0.3)
At 31 December 2020	**3.2**	**(3.8)**	**(4,237.7)**	**–**	**21.7**	**–**	**(4,216.6)**
Share-based payment expenses, net of tax		**8.2**	**–**	**–**	**–**	**–**	**8.2**
Issue of shares to employees	**–**	**(2.7)**	**–**	**–**	**–**	**–**	**(2.7)**
Remeasurement of retirement benefit obligations	**6.5**	**–**	**–**	**–**	**–**	**–**	**6.5**
Share buy-back	**–**	**–**	**–**	**–**	**3.7**	**–**	**3.7**
Capital return	**–**	**–**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Changes in the fair value of equity investments at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(0.6)**	**(0.6)**
At 31 December 2021	**9.7**	**1.7**	**(4,237.7)**	**–**	**25.2**	**(0.6)**	**(4,201.7)**

Capital Redemption Reserve

Shares purchased under the buy-back program result in a reduction in equity, with the impact to the Capital Redemption Reserve being the difference between the total amounts paid to buy back each share and the initial cost per share of $2.50. In line with accounting standard requirements, the costs associated with the share buy-back program such as broker commission and legal fees, are also captured in the Capital redemption reserve.

24. Dividends declared and paid

Dividends determined and paid during the year	2021 $M	2020 $M
Fully franked dividend relating to the prior period	**–**	50.6
Interim fully franked dividend	**65.9**	15.5
Special dividend		114.9
Dividends determined and paid during the year	**65.9**	181.0

No final dividend was paid in the current period in relation to the previous year ended 31 December 2020 (2020: $50.6 million – 2.6 cents per share).

The Company paid an interim 2021 dividend of $65.9 million – 4.1 cents per share to shareholders on 23 September 2021 (2020: $15.5 million – 0.8 cents per share). This fully franked dividend was in relation to the six month period ended 30 June 2021.

Included in the $65.9 million of dividends determined and paid during the year was $0.2 million in dividends relating to treasury shares on hand during the year. The net impact of the total dividends on retained earnings amounted to $65.7 million.

There were no special dividends paid in the current period. In the previous period, a special dividend of $114.9 million, at $0.0594 per share was declared and paid.

In addition to the above dividend, since year end the Board has determined a final dividend of 3.2 cents per fully paid ordinary share (2020: nil) in relation to year ended 31 December 2021. The aggregate amount of the proposed dividend expected to be paid on 24 March 2022 out of retained earnings at 31 December 2021, but not recognised as a liability at year end, is $49.6 million.

Dividend franking account

The balance of the franking account of the Australian consolidated tax group, headed by Viva Energy Group Limited, is $2.9 million at 31 December 2021 (2020: $0.9 million) based on a tax rate of 30%.

25. Fair value of financial assets and liabilities

The Group's accounting policies and disclosures may require the measurement of fair values for both financial and non-financial assets and liabilities. The Group has an established framework for fair value measurement. When measuring the fair value of an asset or a liability, the Group uses market observable data where available.

Fair values are categorised into different levels in a fair value hierarchy based on the following valuation techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(a) Fair value measurement hierarchy for the Group

	Quoted in active markets (Level 1) $M	Significant observable inputs (Level 2) $M	Significant unobservable inputs (Level 3) $M
31 December 2021			
Derivative assets	–	6.8	–
Derivative liabilities	–	(8.6)	–
Equity securities	9.2	–	–
Total at 31 December 2021	9.2	(1.8)	–
31 December 2020			
Derivative assets	–	–	–
Derivative liabilities	–	(19.4)	–
Total at 31 December 2020	–	(19.4)	–

There were no transfers between levels during the 2021 and 2020 years.

(b) Recognised fair value measurements

Equity securities

In 2021, the Group purchased public securities in Waga Energy SA and Hyzon Motors Inc. The fair value of these publicly traded securities is based on quoted market prices at the end of the reporting period.

Derivative assets and liabilities

The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Foreign exchange forward contracts and commodity forward contracts are valued using valuation techniques, which employ the use of market observable inputs. As at 31 December 2021, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk.

Capital funding and financial risk management continued

26. Financial risk management

The Group's principal financial liabilities, other than derivatives, comprise current and non-current borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, trade and other receivables, and cash and cash equivalents that were derived directly from its operations. The Group also holds financial assets and enters into derivative transactions.

Exposure to foreign currency risk, interest rate risk, liquidity risk, commodity price risk and credit risk arises in the normal course of the Group's business. The Group's overall financial risk management strategy is to seek to ensure that the Group is able to fund its corporate objectives and meet its obligations to stakeholders. Derivative financial instruments may be used to hedge exposure to fluctuations, especially movements in foreign exchange rates.

Financial risk management is carried out by Group Treasury while risk management activities in respect to customer credit risk are carried out by the Finance and Credit teams. The Group Treasury, Finance and Credit teams operate under policies approved by the Board. The teams identify, evaluate and monitor the financial risks in close cooperation with the Group's operating units.

(a) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to movements in foreign exchange rates in the normal course of its business primarily due to the fact that it purchases product and crude in United States dollars ('USD') and sells in Australian dollars ('AUD'). Any specific foreign exchange exposure that relates to borrowings is managed separately and subject to separate Board approvals.

The objective of the Group's foreign exchange program is to minimise the effect of a fluctuation in foreign exchange rates on Group earnings and its cash flows. Transactions which could be regarded as speculative are not permitted. The program of foreign exchange risk management identifies, measures, takes actions to mitigate this risk, and reports the performance of the program, in a controlled and non-speculative manner. The focus is on cash flow exposures rather than just profit and loss.

The Group manages foreign currency risk by using foreign currency forward contracts to offset foreign exchange exposures. At 31 December 2021 and 2020, the Group hedged 100% of its net USD payables and this is actively managed on a daily basis through a hedge program. As at 31 December 2021, the total fair value of all outstanding foreign currency exchange forwards amounted to a $1.8 million net liability (2020: $19.4 million net liability).

The Group's exposure to foreign exchange rates for classes of financial assets and liabilities including sensitivities to pre-tax profit of the Group if the AUD strengthened/weakened by 10% against the USD with all other variables held constant, are set out below. The foreign exchange program outlined is undertaken to mitigate this risk.

	2021 $M	2020 $M
USD denominated trade receivables (in AUD)	**173.3**	122.3
USD denominated trade payables (in AUD)	**(1,409.3)**	(1,070.5)
Net exposure	**(1,236.0)**	**(948.2)**
Effect in pre-tax profit		
AUD strengthens against USD by 10%	**123.6**	94.8
AUD weakens against USD by 10%	**(123.6)**	(94.8)

The Group has minimal exposure to other currencies (Euro, British Pound, Singapore Dollar, Papua New Guinea kina and Malaysian Ringgit) with total payable balances denominated in other currencies of $2.6 million at 31 December 2021 (2020: $0.8 million).

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's syndicated bank loan with floating interest rates.

The Group's exposure to interest rate risk for classes of financial assets and liabilities including sensitivities to pre-tax profit of the Group if interest rates had changed by -/+1% from the year end rates, with all other variables held constant, are set out as follows:

	2021 $M	2020 $M
Financial assets		
Cash and cash equivalents	96.7	49.1
Loan to related party	26.8	30.7
Total financial assets	123.5	79.8
Financial liabilities		
Long-term bank loans	191.9	153.3
Total financial liabilities	191.9	153.3
Net exposure	(68.4)	(73.5)
Interest rates increase by 1%	(0.7)	(0.7)
Interest rates decrease by 1%	0.7	0.7

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Due to the dynamic nature of the underlying business, the liquidity risk policy requires maintaining sufficient cash and an adequate amount of committed credit facilities to be held above the forecast requirements of the business.

The Group manages liquidity risk centrally by monitoring cash flow forecasts, maintaining adequate cash on hand and debt facilities. The debt portfolio is periodically reviewed to ensure there is funding flexibility across an appropriate maturity profile. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	No more than 1 year $M	More than 1 year but no more than 5 years $M	More than 5 years $M	Total $M
31 December 2021				
Trade and other payables	2,145.7	–	–	2,145.7
Long-term payables	–	–	114.2	114.2
Long-term bank loans	–	195.0	–	195.0
Derivative liabilities	8.6	–	–	8.6
Lease liabilities	312.7	1,256.7	2,082.8	3,652.2
Total at 31 December 2021	2,467.0	1,451.7	2,197.0	6,115.7
31 December 2020				
Trade and other payables	1,329.6	–	–	1,329.6
Long-term payables	–	–	114.2	114.2
Long-term bank loans	–	155.0	–	155.0
Derivative liabilities	19.4	–	–	19.4
Lease liabilities	302.9	1,230.0	2,327.7	3,860.6
Total at 31 December 2020	**1,651.9**	**1,385.0**	**2,441.9**	**5,478.8**

The financial liabilities due within the next 12-month period amount to $2,467.0 million (2020: $1,651.9 million). The Group has current assets of $2,605.5 million (2020: $1,593.5 million) and a net current asset position of $124.5 million (2020: $13.4 million net current liability position). The Group has access to undrawn credit facilities of $796.7 million, in place primarily for working capital purposes, and is in a position to meet its financial liability obligations as and when they fall due.

Capital funding and financial risk management continued

26. Financial risk management continued

(d) Commodity price risk

The Group is exposed to the effect of changes in commodity price (i.e. oil and refined product prices) in its normal course of business.

The objective of the Group's commodity price strategy is to reduce earnings volatility as a result of movements in oil and refined product prices. The Group achieves this by:

- monitoring hydrocarbon volumes priced in and out on a monthly basis and hedging up to 100% of the net exposure; and
- monitoring expected refining margins and hedging constituent components to protect refining income, hedging up to 100% of net refinery exposure.

The Group manages commodity price exposure through the purchase or sale of swap contracts up to 36 months forward. No commodity price hedges were outstanding at 31 December 2021 and 2020.

Commodity price sensitivity analysis

The Group's exposure to commodity prices risk including sensitivities to pre-tax profit if commodity prices had changed by -/+10% from the year end prices, with all other variables held constant, are set out as follows:

	2021 $M	2020 $M
Commodity prices decrease by 10%	**4.4**	3.7
Commodity prices increase by 10%	**(4.0)**	(3.4)

(e) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Customer credit risk

The Group manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of an appropriate credit rating, or do not show a history of defaults.

The Group applies the AASB 9 *Financial Instruments* simplified approach to measuring trade receivable expected credit losses, which uses a lifetime expected loss allowance for expected credit losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over past periods using historical data and also using forward-looking projections of customer payment expectations. Trade receivables are often insured for events of non-payment, through third party insurance, which has also been factored into the expected loss rate calculations. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The ageing profile of the receivable balance and expected credit loss rates are detailed in Note 8 Trade and other receivables.

Financial institution credit risk

Financial assets such as cash at bank and forward contracts are held with high credit quality financial institutions.

Maximum exposure to credit risk

The Group's maximum credit risk exposure at balance date in relation to each class of recognised financial assets, other than equity and derivative financial instruments, is the carrying amount of those assets as indicated in the consolidated statement of financial position.

Taxation

27. Income tax and deferred tax

(a) Reconciliation of income tax expense at Australian standard tax rate to actual income tax expense

	2021 $M	2020 $M
Accounting profit/(loss) before income tax expense	**343.4**	(186.5)
Tax at the Australian tax rate of 30%	**(103.0)**	56.0
Non-deductible transaction costs	**(4.3)**	(4.4)
Research and development expenditure	**(0.4)**	(0.2)
Sundry items	**(0.1)**	0.7
Adjustment relating to prior periods	**(4.3)**	0.6
Reversal of deferred tax liability on sale of REIT	**–**	112.3
Capital gains adjustment on sale of REIT	**–**	(12.7)
Non-refundable carry forward tax offsets	**1.6**	0.2
Step acquisition of Westside Petroleum	**–**	(2.2)
Income tax (expense)/benefit for the period	**(110.5)**	**150.3**

(b) Income tax benefit/(expense)

	2021 $M	2020 $M
Current tax (expense)/benefit	**(92.9)**	2.2
Deferred tax (expense)/benefit	**(13.3)**	160.2
Capital gains adjustment on sale of REIT	**–**	(12.7)
Adjustment relating to prior periods	**(4.3)**	0.6
Income tax (expense)/benefit reported in the consolidated statement of profit or loss	**(110.5)**	**150.3**
Deferred income tax benefit included in income tax benefit/(expense) comprises:		
(Decrease)/increase in deferred tax assets	**(52.8)**	54.8
Decrease in deferred tax liabilities	**42.8**	105.4
Adjustment in deferred tax relating to prior periods	**(3.3)**	2.4
	(13.3)	**162.6**
Tax relating to items recognised in other comprehensive income or directly in equity rather than through the statement of profit or loss		
Deferred tax related to items recognised in other comprehensive income during the period:		
Remeasurement of defined benefit obligations	**(2.8)**	1.1
Remeasurement of equity investments in overseas entities	**0.3**	–
Deferred tax related to items recognised directly to equity during the period:		
Transaction costs recognised in equity	**(4.2)**	(3.9)
	(20.0)	**159.8**

Taxation continued

27. Income tax and deferred tax continued

(c) Deferred tax

	2021 $M	2020 $M
Deferred tax assets		
The balance comprises combined temporary differences attributable to:		
Property, plant and equipment	88.8	100.6
Lease liabilities	744.1	760.3
Inventories	120.0	81.0
Asset retirement obligation	27.4	27.7
Employee benefits	26.3	24.0
Derivative contracts	–	3.3
Tax losses carried forward	3.4	70.8
Financial assets and investments	1.7	1.9
Other	4.6	7.5
Total deferred tax assets	1,016.3	1,077.1
Deferred tax liabilities		
The balance comprises combined temporary differences attributable to:		
Right-of-use assets	(657.9)	(699.0)
Intangible assets	(50.4)	(52.3)
Derivative contracts	(2.2)	–
Total deferred tax liabilities	(710.5)	(751.3)
Net deferred tax assets	305.8	325.8
Net deferred tax balances expected to be realised within 12 months	31.1	66.3
Net deferred tax balances expected to be realised after more than 12 months	274.7	259.5
	305.8	325.8

(d) Movements in deferred tax assets

2020 movements	Property, plant and equipment $M	Lease liabilities $M	Inventories $M	Asset retirement obligations $M	Employee benefits $M	Derivative contracts $M	Tax losses carried forward $M	Financial assets and investments $M	Other $M	Total $M
Balance at 1 January 2020	123.0	722.4	108.4	28.4	22.4	0.4	–	(110.8)	15.8	910.0
(Charged)/credited:										
Acquired in business combination	–	25.5	–	0.1	0.1	–	–	–	0.2	25.9
To profit or loss	(22.4)	12.4	(27.4)	(0.8)	0.4	2.9	–	0.4	(4.6)	(39.1)
Directly to equity	–	–	–	–	–	–	–	–	(3.9)	(3.9)
Disposal of REIT investment	–	–	–	–	–	–	–	112.3	–	112.3
Other comprehensive income	–	–	–	–	1.1	–	–	–	–	1.1
Current year tax loss and carried forward tax credits/offsets	–	–	–	–	–	–	70.8	–	–	70.8
Balance at 31 December 2020	**100.6**	**760.3**	**81.0**	**27.7**	**24.0**	**3.3**	**70.8**	**1.9**	**7.5**	**1,077.1**

2021 movements	Property, plant and equipment $M	Lease liabilities $M	Inventories $M	Asset retirement obligations $M	Employee benefits $M	Derivative contracts $M	Tax losses carried forward $M	Financial assets and investments $M	Other $M	Total $M
Balance at 1 January 2021	**100.6**	**760.3**	**81.0**	**27.7**	**24.0**	**3.3**	**70.8**	**1.9**	**7.5**	**1,077.1**
(Charged)/credited:										
To profit or loss	**(11.8)**	**(16.2)**	**39.0**	**(0.3)**	**5.1**	**(3.3)**	**–**	**(0.2)**	**1.0**	**13.3**
Directly to equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4.2)**	**(4.2)**
Other comprehensive income	**–**	**–**	**–**	**–**	**(2.8)**	**–**	**–**	**–**	**0.3**	**(2.5)**
Current year tax loss and carried forward tax credits/offsets	**–**	**–**	**–**	**–**	**–**	**–**	**(67.4)**	**–**	**–**	**(67.4)**
Balance at 31 December 2021	**88.8**	**744.1**	**120.0**	**27.4**	**26.3**	**–**	**3.4**	**1.7**	**4.6**	**1,016.3**

Notes to the consolidated financial statements continued

Taxation continued

27. Income tax and deferred tax continued

(e) Movements in deferred tax liabilities

2020 movements	Right-of-use assets $M	Intangible assets $M	Total $M
Balance at 1 January 2020	(690.5)	(53.5)	(744.0)
(Charged)/credited:			
Acquired in business combination	(25.6)	–	(25.6)
To profit and loss	17.1	1.2	18.3
Balance at 31 December 2020	**(699.0)**	**(52.3)**	**(751.3)**

2021 movements	Derivative contracts $M	Right-of-use assets $M	Intangible assets $M	Total $M
Balance at 1 January 2021	–	(699.0)	(52.3)	(751.3)
(Charged)/credited:				
To profit and loss	(2.2)	41.1	1.9	40.8
Balance at 31 December 2021	**(2.2)**	**(657.9)**	**(50.4)**	**(710.5)**

The income tax expense for the year is the tax expense on the current year's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unrecognised deferred tax assets, or liabilities such as unused tax losses.

Current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of goodwill, or of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting nor taxable profit (or loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Tax assets and liabilities are offset when there is a legally enforceable right to offset.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation

The Company and its wholly-owned Australian controlled entities have elected to form an income tax consolidated group (TCG).

In addition to its own current and deferred tax amounts, the Company also recognises the current income tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the TCG.

The entities in the TCG have entered into a tax funding agreement under which the wholly-owned entities fully compensate the Company for any current income tax payable assumed and are compensated by the Company for any current income tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Company under the income tax consolidation legislation.

The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. Assets or liabilities arising under tax funding agreements with the entities in the TCG are recognised as current amounts receivable from or payable to other entities in the Group.

Group structure

28. Group information

(a) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Group and its material subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(b) Controlled entities

The consolidated financial statements of the Group includes the controlled entities listed below:

Name of entity	Country of incorporation/ establishment	Equity holding 2021 %	Equity holding 2020 %
Viva Energy Holding Pty Ltd	Australia	100	100
Viva Energy Australia Group Pty Ltd	Australia	100	100
Viva Energy Australia Pty Ltd	Australia	100	100
Viva Energy Aviation Pty Ltd	Australia	100	100
Viva Energy Gas Pty Ltd	Australia	100	100
Viva Energy Refining Pty Ltd	Australia	100	100
Viva Energy Gas Australia Pty Ltd	Australia	100	100
VER Manager Pty Limited	Australia	100	100
ZIP Airport Services Pty Ltd	Australia	100	100
Viva Energy S.G. Pte Ltd	Singapore	100	100
Pacific Hydrocarbon Solutions Limited	Papua New Guinea	100	100
Liberty Oil Holdings Pty Ltd*	Australia	100	100
Deakin Services Pty Ltd*	Australia	100	100
Liberty Oil Affinity Pty Ltd*	Australia	100	100
Liberty Oil City Leasing Pty Ltd**	Australia	100	100
Liberty Oil Land Pty Ltd*	Australia	100	100
Liberty Oil Property Pty Ltd*	Australia	100	100
Tradeway Services Pty Ltd*	Australia	100	100
Liberty Oil (SA) Pty Ltd*	Australia	100	100
Liberty Oil (WA) Pty Ltd*	Australia	100	100
Liberty Oil Corporation Pty Ltd*	Australia	100	100
Liberty Oil Finance Pty Ltd*	Australia	100	100
Liberty Oil Wholesale (S) Pty Ltd*	Australia	100	100
Liberty Oil Express Pty Ltd*	Australia	100	100
Liberty Oil Australia Pty Ltd*	Australia	100	100
Westside Petroleum Consolidated Holdings Pty Limited**	Australia	100	100
Westside Petroleum Pty Ltd**	Australia	100	100
Westside Petroleum Wholesalers Pty Ltd**	Australia	100	100
Westside Petroleum Holdings Pty Ltd	Australia	100	100
Westside Petroleum BPM Pty Ltd**	Australia	100	100
Westside Petroleum Retail 1 Pty Limited**	Australia	100	100
Westside Petroleum Convenience Stores Pty Ltd**	Australia	100	100
Westside Petroleum CA Fuel Retail Pty Ltd**	Australia	100	100
Westside Petroleum Co Pty Ltd**	Australia	100	100

* Joined the Deed of Cross Guarantee on 13 December 2019. Refer to Note 31 Deed of Cross Guarantee for further detail.

** Joined the Deed of Cross Guarantee on 18 December 2020. Refer to Note 31 Deed of Cross Guarantee for further detail.

Group structure continued

28. Group information continued

(c) Interests in associates

The Group holds interest in the following investments accounted for using the equity method:

Name of entity	Country of incorporation/ establishment	Equity holding 2021 %	Equity holding 2020 %
LOC Global Pty Ltd	Australia	50	50
Fuel Barges Australia Pty Ltd	Australia	50	50

Further details regarding these investments can be found in Note 29 Interests in associates and joint operations.

(d) Interests in joint operations

The Group has a 52% interest in W.A.G Pipeline Pty Ltd (2020: 52%), a 50% interest in Crib Point Terminal Pty Ltd (2020: 50%) and a 33% interest in Cairns Airport Refuelling Services Pty Ltd (2020: 33%). These are classified as joint operations under AASB 11 *Joint Arrangements*. Further details regarding these investments can be found in Note 29 Interests in associates and joint operations.

29. Interests in associates and joint operations

(a) Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group has a non-controlling interest in the following entities which are classified as associates under the current ownership structure in accordance with AASB 128 *Investments in Associates and Joint Ventures*. These investments have been recognised in the consolidated financial statements using the equity method:

	2021 $M	2020 $M
LOC Global Pty Ltd	16.0	15.4
Fuel Barges Australia Pty Ltd	–	–
Total investments accounted for using the equity method	**16.0**	**15.4**

LOC Global Pty Ltd

LOC Global Pty Ltd ('LOC Global') is a private entity that is based in Melbourne, Australia. The Group holds 50% equity holding in LOC Global (2020: 50%).

LOC Global had no other contingent liabilities or capital commitments as at 31 December 2021.

Movement of LOC Global investment	2021 $M	2020 $M
Balance at the beginning of the year	15.4	15.5
Share of LOC Global profit/(loss)	0.6	(0.1)
	16.0	**15.4**

Waypoint REIT

In the previous period the Group sold its 35.5% security holding (276,060,625 stapled securities) in Waypoint REIT. The sale contributed $113.9 million to the Group's pre-tax profit with net cash proceeds of $730.1 million after transaction costs. The Group no longer holds any securities in Waypoint REIT.

Movement of Waypoint REIT investment	2021 $M	2020 $M
Balance at the beginning of the year	–	615.9
Dividends received	–	(19.8)
Share of Viva Energy REIT profit	–	13.7
Share of Viva Energy REIT OCI	–	–
Disposal of investment	–	(609.8)
Balance at end of year	**–**	**–**

Total share of losses in associates for the 2021 year amounted to $1.0 million (2020: $10.6 million profit). The prior year $113.9 million profit from the Waypoint REIT sale and offsetting $7.4 million business combination adjustment from the purchase of Westside are disclosed within the prior year net profit on sale of investments in the consolidated statement of profit or loss.

Aggregate summary information of associates

This table below represents the aggregate summary information of associates. It represents the amounts shown in financial statements of the associate companies in accordance with Australian Accounting Standards.

	2021 $M	2020 $M
Current assets	**35.4**	72.4
Non-current assets	**180.8**	132.8
Current liabilities	**(80.3)**	(78.5)
Non-current liabilities	**(131.9)**	(115.0)
Net assets	**4.0**	**11.7**
Net assets – Group's share of investment	**2.0**	5.9
Adjustments resulting from the equity accounting method	**14.0**	9.5
Carrying amount of investments accounted for using the equity method	**16.0**	**15.4**
Revenue	**760.9**	577.3
Net profit from continuing operations	**2.5**	0.1
Net loss from associate acquired during the period	**–**	(5.8)
Net profit from associate disposed of during the period	**–**	38.4
Other comprehensive income	**–**	(1.6)
Total comprehensive income	**2.5**	36.8
Distributions received from equity accounted for investments	**–**	19.8

(b) Joint operations

Joint operations are those entities whose financial and operating policies the Group has joint control over, and where the Group has rights to the assets and obligations for the liabilities of the entity.

The Group owns a 52% interest in W.A.G Pipeline Pty Ltd, a 50% interest in Crib Point Terminal Pty Ltd and a 33% interest in Cairns Airport Refuelling Services Pty Ltd. The investments are incorporated in Australia with principal operations in Victoria and Cairns, and are classified as joint operations under AASB 11 *Joint Arrangements*, where the Group recognises its direct right to the jointly held assets, liabilities, revenues and expenses and has proportionately consolidated its interests under the appropriate headings in the consolidated financial statements.

The joint operations had no other contingent liabilities or capital commitments as at 31 December 2021 and 2020, except as disclosed in Note 18 Commitments and contingencies.

Group structure continued

30. Parent company financial information

The financial information presented below presents that of the parent entity of the Group, Viva Energy Group Limited.

	2021 $M	2020 $M
Statement of financial position		
Current assets	336.2	–
Non-current assets	4,817.7	4,852.7
Current liabilities	(420.4)	(112.6)
Net assets	4,733.5	4,740.1
Contributed equity	4,252.5	4,373.9
IPO reserve	(70.3)	(70.3)
Employee share-based payment reserve	1.6	(3.9)
Capital redemption reserve	25.4	21.8
Retained earnings	524.3	418.6
Total equity	4,733.5	4,740.1
Results		
Profit of the Company	171.6	594.7
Total comprehensive income of the Company	171.6	594.7

31. Deed of Cross Guarantee

As at 31 December 2021, the Company (as the Holding Entity) and all the controlled entities listed in Note 28(b) Group information (with the exception of Viva Energy S.G. Pte Ltd, Pacific Hydrocarbon Solutions Limited, Viva Energy Gas Australia Pty Ltd and Westside Petroleum Holdings Pty Ltd) are parties to a Deed of Cross Guarantee dated 14 December 2018 ('Deed').

Liberty entities marked with an asterisk (*) in Note 28(b) Group information were joined as parties to the Deed by Assumption Deeds dated 13 December 2019 and Westside Petroleum entities marked with a double asterisk (**) joined as parties to the Deed on 18 December 2020.

Under the Deed, each company guarantees the debts of the others to each creditor payment in full of any debt in accordance with the terms of the Deed.

By entering into the Deed, the controlled entities have been relieved from the requirement to prepare a financial report and directors' report under Instrument 2016/785 issued by the Australian Securities and Investments Commission ('Instrument'). The companies referred to above represent a 'Closed Group' for the purposes of the Instrument.

The aggregate assets and liabilities of the companies which are party to the Deed and the aggregate of their results for the period to 31 December 2021 and 2020 are set out below:

	2021 $M	2020 $M
Revenue	**15,892.9**	**12,408.3**
Replacement cost of goods sold	(9,088.3)	(6,382.1)
Net inventory gain/(loss)	126.6	(256.6)
Sales duties, taxes and commissions	(4,965.5)	(4,426.6)
Import freight expenses	(220.0)	(274.0)
Historical cost of goods sold	**(14,147.2)**	**(11,339.3)**
Gross profit	**1,745.7**	**1,069.0**
Net gain on other disposal of property, plant and equipment	0.1	5.5
Net profit on sale of investments	–	106.4
Other income	56.1	24.9
Other income	**56.2**	**136.8**
Transportation expenses	(260.5)	(240.6)
Salaries and wages	(281.0)	(265.7)
General and administration expenses	(184.1)	(169.5)
Maintenance expenses	(103.1)	(91.7)
Lease related expenses	(6.3)	(11.8)
Sales and marketing expenses	(88.8)	(81.3)
	–	–
Results from operations	**878.1**	**345.2**
Interest income	1.3	4.2
Share of profit in associates	0.6	10.6
Realised/unrealised gain on derivatives	31.0	35.3
Net foreign exchanges loss	(17.7)	(23.9)
Depreciation and amortisation expenses	(387.9)	(386.4)
Finance costs	(184.2)	(187.0)
Profit/(loss) before income tax expense	**321.2**	**(202.0)**
Income tax(expense)/benefit	(98.1)	156.3
Profit/(loss) after tax	**223.1**	**(45.7)**

Group structure continued

31. Deed of Cross Guarantee continued

	2021 $M	2020 $M
ASSETS		
Current assets		
Cash and cash equivalents	**96.2**	47.4
Trade and other receivables	**1,247.6**	787.2
Inventories	**1,179.0**	698.4
Assets classified as held for sale	**1.4**	2.9
Derivative assets	**6.8**	–
Prepayments	**27.5**	27.2
Current tax assets	**–**	30.3
	2,558.5	1,593.4
Non-current assets		
Long-term receivables	**35.9**	28.4
Property, plant and equipment	**1,508.7**	1,465.6
Right-of-use assets	**2,119.3**	2,248.0
Goodwill and other intangible assets	**621.5**	646.6
Post-employment benefits	**6.8**	0.2
Investments accounted for using the equity method	**16.0**	15.4
Financial assets at fair value through other comprehensive income	**9.2**	–
Net deferred tax assets	**304.7**	324.8
Other non-current assets	**1.2**	2.1
	4,623.3	**4,731.1**
Total assets	**7,181.8**	**6,324.5**
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	**2,160.9**	1,376.8
Provisions	**143.1**	121.8
Short-term lease liabilities	**145.2**	132.2
Derivative liabilities	**8.6**	19.4
Current tax liabilities	**33.4**	–
	2,491.2	**1,650.2**
Non-current liabilities		
Provisions	**93.5**	101.3
Long-term borrowings	**191.9**	153.3
Long-term lease liabilities	**2,253.6**	2,315.4
Long-term payables	**96.8**	94.3
	2,635.8	**2,664.3**
Total liabilities	**5,127.0**	**4,314.5**
Net assets	**2,054.8**	**2,010.0**
Equity		
Contributed equity	**4,248.3**	4,369.7
Treasury shares	**(12.7)**	(6.8)
Reserves	**(4,201.7)**	(4,216.6)
Retained earnings	**2,020.9**	1,863.7
Total equity	**2,054.8**	**2,010.0**

Other disclosures

32. Post-employment benefits

(a) Superannuation plan

The main provider of superannuation benefits in the Group is the Viva Energy Superannuation Fund ('VESF'). This fund was established on 1 August 2014, and provides a mixture of defined benefits and accumulation style benefits. Currently, the principal type of benefits provided under the VESF (to eligible members) is a lump sum, pension or lump sum and accumulation benefits. Lump sum and pension benefits are based primarily on years of service and the highest average salary of the employee.

The Viva Energy Superannuation Plan ('Plan') is a sub-plan in the Plum Division of the MLC Super Fund, which is operated by NULIS Nominee (Australia) Limited (the Trustee). The Plan is a 'regulated fund' under the provision of the *Superannuation Industry (Supervision) Act 1993*. The Plan is treated as a complying defined benefit superannuation fund for taxation purposes.

The Group's superannuation plan has a defined benefit section and also a defined contribution section. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. The defined benefit section was closed to new members in 1998.

(b) Defined benefit superannuation – significant estimate

The liability or asset recognised in the consolidated statement of financial position in respect of defined benefit superannuation section is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. These complexities expose the Group to a number of risks, including asset value volatility, variations in interest rates, inflation and fluctuations in life expectancy expectations. Recognising this, the Group has moved away from providing defined benefit pensions and the scheme has been closed to new entrants for many years. All assumptions used in the valuation are reviewed at each reporting date.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and recognised as remeasurement of retirement benefit obligations in the consolidated statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of profit or loss within salaries and wages as past service costs.

Contributions to the defined contribution section of the Group's superannuation fund and other independent defined contribution superannuation funds are recognised as an expense as they become payable.

The following sets out details in respect of the defined benefit section only.

Amounts recognised in consolidated statement of financial position

	2021 $M	2020 $M
Present value of defined benefit obligation	(81.6)	(93.4)
Fair value of defined benefit plan assets	88.4	93.6
Net defined benefit asset recognised in the consolidated statement of financial position	6.8	0.2

Other disclosures continued

32. Post-employment benefits continued

(b) Defined benefit superannuation – significant estimate

Changes in the defined benefit obligation and fair value of plan assets

	Present value of defined benefit obligation		Fair value of defined benefit plan assets	
	2021 $M	2020 $M	2021 $M	2020 $M
Balance at 1 January	**(93.4)**	(98.5)	**93.6**	105.4
Current service cost	**(3.5)**	(3.9)	**–**	–
Net interest on the defined benefit (liability)/asset	**(1.0)**	(1.8)	**1.0**	1.8
Return on assets less interest income	**–**	–	**3.4**	(0.1)
Actuarial (loss) – change in demographic assumptions	**–**	(0.1)	**–**	–
Actuarial gain/(loss) – change in financial assumptions	**5.6**	(2.5)	**–**	–
Actuarial gain/(loss) – experience adjustments	**0.3**	(0.9)	**–**	–
Benefits paid	**10.8**	14.8	**(10.8)**	(14.8)
Employer contributions	**–**	–	**0.8**	0.8
Employee contributions	**(0.4)**	(0.5)	**0.4**	0.5
Balance at 31 December	**(81.6)**	**(93.4)**	**88.4**	**93.6**

Amounts recognised in consolidated statement of profit or loss

	2021 $M	2020 $M
Amounts recognised in profit or loss		
Service cost	**2.8**	3.1
Member contributions	**(0.3)**	(0.4)
Plan expenses	**1.1**	1.2
Current service cost	**3.6**	3.9
Net interest on the new defined benefit liability/(asset)	**–**	(0.1)
Components of defined benefit cost recorded in profit or loss	**3.6**	**3.8**
Amounts recognised in other comprehensive income		
Remeasurement of the net defined benefit liability:		
Return on assets less interest income	**(3.4)**	0.1
Actuarial loss – change in demographic assumptions	**–**	0.1
Actuarial (gain)/loss – change in financial assumptions	**(5.6)**	2.4
Actuarial (gain)/loss – experience adjustments	**(0.3)**	0.9
Tax on remeasurement of defined benefit obligation	**2.8**	(1.1)
Components of defined benefit cost recorded in other comprehensive income	**(6.5)**	**2.4**

The major categories of plan assets of the fair value of the total plan assets are as follows:

	2021 $M	2020 $M
Australian equities	**7.4**	8.4
International equities	**10.6**	12.2
Property	**8.4**	7.5
Fixed income bonds	**52.7**	37.4
Other	**9.3**	9.4
Cash	**–**	18.7
Total plan assets	**88.4**	**93.6**

The Group agreed to pay nil contributions to the plan in 2021 (2020: nil). The Group did pay contributions to cover administration expenses and premiums relating to the plan in 2021. The following payments are expected to be contributed to the defined benefit plan in future years:

	2021 $M	2020 $M
Within the next 12 months	**0.8**	0.8
Between 2 and 5 years	**2.6**	3.8
Between 5 and 10 years	**1.0**	1.9
Beyond 10 years	**0.1**	0.3
Total expected payments	**4.5**	**6.8**

The average duration of the defined benefit plan obligation at the end of the reporting period is 5.2 years (2020: 5.9 years).

Actuarial assumptions

The principal assumptions used in determining benefit obligations for the Group's Plan are shown below:

	2021 %	2020 %
Discount rate	**2.6**	1.1
Expected rate of salary increases	**2.5**	2.0
Pension increase rate	**2.0**	1.8

Pensioner mortality has been assumed following the mortality under the Australian Life Tables 2015-17. Significant assumptions used to determine the present value of the defined benefit obligation are the discount rate and expected salary increases. The sensitivity analysis shown below has been based on reasonable possible changes of the assumptions occurring at the end of the reporting period:

	Impact on defined benefit obligation	
	2021 $M	2020 $M
Discount rate:		
1.0% increase	**(4.1)**	(5.4)
1.0% decrease	**4.8**	6.4
Expected rate of salary increases:		
1.0% increase	**2.1**	2.8
1.0% decrease	**(2.0)**	(2.6)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

Other disclosures continued

33. Related party disclosures

Note 28 Group information provides information about the Group's structure, including details of the subsidiaries and the parent entities.

Entities in the Group engage in a variety of related party transactions as part of the normal course of business. They supply products to related entities and overseas related corporations outside of the Group, and purchase crude and products from and pay service fees to overseas related corporations.

- All related party transactions are conducted at arm's length on a commercial basis.
- Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.
- For the year ended 31 December 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties, nor has there been any expenses recognised during the period in respect of bad or doubtful debts written off from related parties (2020: nil).
- The assessment of related party receivables is undertaken on an ongoing basis each financial year through examining the financial position of the related party and the market in which the related party operates.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

(a) Transactions with related parties

	2021 $'000	2020 $'000
Sales and purchases of goods and services		
Purchases	**8,753,045**	6,910,598
Sales of goods and services	**327,369**	600,860
Outstanding balances arising from sales/purchases of goods and services		
Receivables	**17,617**	12,337
Payables	**1,339,106**	821,692

(b) Transactions with associates

	2021 $'000	2020 $'000
Sales and purchases of goods and services		
Purchases	**9,819**	10,941
Sales of goods and services	**726,539**	490,570
Other transactions		
Interest income from associates	**1,110**	1,678
Sales of assets to associates	**2,565**	5,188
Lease expense paid to associates	**–**	113,200
Dividends from associates	**–**	19,849
Loan repayment by associates	**4,228**	–
Purchase of assets from associate	**5,103**	–
Outstanding balances arising from sales/purchases of goods and services		
Receivables	**36,433**	39,538
Payables	**119**	139

(c) Transactions with Key Management Personnel or entities related to them

Executive directors of controlled entities are entitled to receive discounts on their purchases of company products under the same conditions as are available to all other employees of the Group. The terms and conditions of the transactions with directors or their director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director-related entities or on an arm's length basis. Dealings between the Group and various related companies are identified in this note.

One director holds a directorship within the Vitol group of companies and any transactions entered into by the Group with the Vitol group of companies are in the ordinary course of business and are at arm's length.

(d) Key Management Personnel compensation

	2021 $'000	2020 $'000
Short-term employee benefits	4,112	3,955
Post-employee benefits	95	133
Employee option plan	1,205	1,247
Total compensation paid to Key Management Personnel	**5,412**	**5,335**

(e) Long Term Incentive Plan (LTI)

The Company has a Long Term Incentive (LTI) Plan to assist in the motivation, retention and reward of eligible employees. The LTI plan is designed to reward long-term performance, provide alignment with the interest of shareholders, and encourage long-term value creation. The amount of rights that will vest depends on the Company's relative total return to shareholders (TSR), free cash flow (FCF) and Return on Capital Employed (ROCE).

A Performance Right entitles the participant to acquire one ordinary share for nil consideration at the end of the performance period, subject to the satisfaction of the performance conditions. The Board retains discretion to make a cash payment to participants on vesting of Performance Rights in lieu of an allocation of shares.

Performance Rights are granted under the plan for no consideration and carry no dividend or voting rights. Set out below are summaries of rights granted under the plan:

	2021 Number of rights	2020 Number of rights
Balance at the start of the financial year	5,100,863	3,524,041
Granted during the year	2,733,434	2,087,421
Vested during the year	(308,000)	–
Forfeited during the year	(1,585,408)	(510,599)
Balance at the end of the financial year	**5,940,889**	**5,100,863**

The following Performance Rights arrangements were in existence at the end of the year:

			Number of Performance Rights outstanding	
Tranche	**Grant date**	**Fair value range at grant date**	**31-Dec-21**	**31-Dec-20**
2018 Tranche	23-Jul-18	$1.39 – $2.27	–	1,232,000
2019 Tranche #1	19-Mar-19	$1.73 – $2.23	856,896	1,127,495
2019 Tranche – CEO	23-May-19	$1.31 – $1.97	541,198	541,198
2019 Tranche #2	22-Oct-19	$1.32 – $1.79	–	112,749
2020 Tranche – CFO	18-Feb-20	$1.06 – $1.73	301,232	301,232
2020 Tranche #1	18-Feb-20	$0.47 – $1.49	750,763	1,028,824
2020 Tranche – CEO	6-Jul-20	$0.91 – $1.58	556,121	556,121
2020 Tranche #2	8-Oct-20	$0.91 – $1.58	201,245	201,244
2021 Tranche #1	19-Feb-21	$0.86 – $1.50	1,827,933	–
2021 Tranche #2	26-May-21	$1.18 – $1.50	905,501	–
			5,940,889	5,100,863

Other disclosures continued

33. Related party disclosures continued

(e) Long Term Incentive Plan (LTI) continued

Fair value of Performance Rights

The 2021 LTI Plan Performance Rights with the relative TSR hurdle vesting condition have been valued by an independent expert using a hybrid trinomial option model. This model uses a combination of Monte Carlo simulation and a trinomial lattice to model the performance of the Company's shares and the individual shares within the entities in the S&P/ASX 100 index. The 2021 LTI Plan performance rights with FCF and ROCE hurdles are valued using a hybrid employee stock option model with a single share price target. Specifically, this model adjusts the spot prices as at the valuation date for expected dividends during the vesting period.

Model inputs for performance rights granted during the year included:

Grant date	Share price at grant date	Expected life (years)	Volatility	Risk-free rate of return	Dividend yield	Vesting date
19-Feb-21	$1.72	2.86	35%	0.09%	4.30%	1-Jan-24
26-May-21	$2.06	2.60	35%	0.10%	3.60%	1-Jan-24

(f) Deferred Share Rights issued

During the period the Company issued share rights to certain employees. Subject to satisfaction of service conditions, a share right entitles the participant to receive one ordinary share for nil consideration on vesting. Share rights carry no dividend or voting rights, however, holders are entitled to a dividend equivalent payment.

The table below sets out the number share rights granted under the plan:

	2021 Number of rights	2020 Number of rights
Balance at the start of the financial year	**2,201,583**	213,903
Granted during the year	**2,540,824**	1,987,680
Vested during the year	**(1,057,738)**	–
Lapsed during the year	**(46,756)**	–
Balance at the end of the financial year	**3,637,913**	**2,201,583**

The following deferred share rights arrangements were in existence at the end of the year:

			Number of deferred share rights outstanding	
Tranche	Grant date	Fair value range at grant date	31-Dec-21	31-Dec-20
2019 Tranche	22-Oct-19	$1.88	–	213,903
2020 Tranche #1	18-Feb-20	$1.61 – $1.69	**1,108,731**	1,952,566
2020 Tranche #2	6-Jul-20	$1.69	**17,557**	35,114
2021 Tranches #1	19-Feb-21	$1.72	**2,382,307**	–
2021 Tranches #2	23-Feb-21	$1.66	**86,530**	–
2021 Tranches #3	8-Nov-21	$1.72	**42,788**	–
			3,637,913	**2,201,583**

Fair value of deferred share rights

The deferred share rights were valued using the share spot price as at the valuation date.

(g) Legacy LTI

Section 10.4.3 of the Prospectus described the Legacy LTI introduced by VEH in 2015. Under that plan options over preference shares in VEH (**VEH Options**) were issued to certain participants, including the CEO and CFO. At, or around the time, of the Company's listing on the ASX in 2018, outstanding VEH Options were acquired by the Company and, as consideration, options over shares in the Company were issued to Legacy LTI participants (Legacy LTI options). For further information, refer to the Company's Prospectus. All offers under the Legacy LTI were made in the years prior to listing and no further offers will be made under this plan.

The table below sets out information in relation to the Legacy LTI options.

	2021 Number of options	2020 Number of options
Balance at the start of the financial year	**1,538,094**	8,651,786
Exercised during the year	**(1,153,570)**	(7,113,692)
Balance at the end of the financial year	**384,524**	**1,538,094**

The following Legacy LTI options were in existence at the end of the year:

Grant date	Expiry date	Exercise price	31-Dec-21	31-Dec-20
25-Oct-17	1-Jan-22	$1.21	**384,524**	1,538,094
			384,524	1,538,094

Total expenses arising from employee plan transactions recognised during the 2021 year was $6,786,824 (2020: $3,578,014).

34. Auditor's remuneration

The auditor of the Company and the Group is PricewaterhouseCoopers Australia ('PwC'). The following fees were paid or payable to PwC for services provided to the Company and the Group.

	2021 $	2020 $
Audit or review services:		
PricewaterhouseCoopers Australia		
Audit or review of financial reports of the Group	**860,000**	900,000
Overseas PricewaterhouseCoopers firms		
Audit or review of financial reports*	**37,998**	34,201
Non-audit services:		
PricewaterhouseCoopers Australia		
Other assurance services	**292,488**	135,764
Other services	**67,900**	44,576
Total	**1,258,386**	**1,114,541**

2021 Audit or review services include $120,000 additional work for 2020 audit (2020: $130,000 for 2019).

* Fees paid to PricewaterhouseCoopers overseas firms for the audit of Viva Energy S.G. Pte Ltd and Pacific Hydrocarbon Solutions Limited.

The Directors have formed the view, based on advice from the Risk and Audit Committee, that the provision of non-audit services during the 2021 financial year was compatible with, and did not compromise, the general standard of independence for auditors imposed by the *Corporations Act 2001*. The non-audit services provided did not involve the external auditor reviewing or auditing its own work or acting in a management or decision-making capacity for the Company, or otherwise could reasonably be expected to compromise its independence.

No officer of the Company was a partner or director of PricewaterhouseCoopers during the financial year. A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 115.

Other disclosures continued

35. Events occurring after the reporting period

Diesel Storage Program

On 31 January 2022 the Group announced the finalisation of a grant agreement in relation to the Federal Government's Boosting Australia's Diesel Storage Program, that will see the Group build 90 million litres of new strategic diesel storage at the Geelong Refinery. The grant will cover up to 50% of total eligible expenditure up to a maximum of $33.3 million. The total project expenditure is estimated to be between $75.0 million and $85.0 million. Subject to regulatory approval, construction is expected to commence in 2022 with planned completion by 2024.

Stamp duty – Viva Energy REIT

On 24 September 2018, Viva Energy REIT (now called Waypoint REIT) received an assessment from the Victorian State Revenue Office ('SRO') for $31.2 million. The assessment related to the transfer of properties prior to the completion of the Viva Energy REIT IPO in August 2016. Pursuant to the arrangements between Viva Energy REIT and the Group at the time, any such costs must be payable by the Group.

An objection to the matter was lodged by VER Custodian Pty Ltd (a REIT entity) and a determination from the SRO was subsequently received in May 2020 disallowing that objection. The matter was then referred to the Supreme Court of Victoria (Court) with the court hearing on 8 November 2021. On 11 February 2022 the Court upheld the Group's objection to the SRO's stamp duty assessment and determined that the assessment be reduced to nil.

As a result of the Court's assessment, the $31.2 million contingent liability that has been disclosed in the financial statements since 2018 is no longer recognised. In addition, a $7.5 million payment made to the SRO in 2020, which is currently recognised in current assets within the consolidated statement of financial position at 31 December 2021, will be returned to the Group in 2022.

No other matters or circumstances have arisen subsequent to the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' declaration

This Directors' declaration is required by the *Corporations Act 2001*.

The Directors declare that in their opinion:

(a) the consolidated financial statements and notes of the Viva Energy Group for the year ended 31 December 2021 set out on pages 117 to 170 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards and the *Corporations Regulations 2001*;

  (ii) giving a true and fair view of the Viva Energy Group's financial position as at 31 December 2021 and of its performance for the year ended on that date;

(b) there are reasonable grounds to believe that the Viva Energy Group will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 31 Deed of Cross Guarantee to the financial statements 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 described in Note 31 Deed of Cross Guarantee to the financial statements.

The basis of preparation on page 122 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the year ended 31 December 2021.

The declaration is made in accordance with a resolution of the Directors.

Robert Hill

Robert Hill
Chairman

21 February 2022

Scott Wyatt
CEO and Managing Director

Independent auditor's report

Independent auditor's report

To the members of Viva Energy Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Viva Energy Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

Independence

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 & 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.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	***Audit scope***	***Key audit matters***
• For the purpose of our audit we used overall Group materiality of $18.5 million, which represents approximately 2% of the Group's earnings before interest, tax, depreciation and amortisation (EBITDA). • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group EBITDA because, in our view, it is the most appropriate benchmark to assess the performance of the Group. • We utilised a 2% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Refining assets assessment of impairment indicators – Environmental and asset retirement provisions • These are further described in the *Key audit matters* section of our report.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Refining assets assessment of impairment indicators *(Refer to note 11) [$426.2m]* As at 31 December 2021, the Group's property, plant and equipment balances include $426.2m of refining assets. As required under AASB 136 *Impairment of assets,* each period the Group assesses all property, plant and equipment balances for any impairment indicators. In the current period, the Group has concluded that no impairment indicators exist. During the period, Viva entered into a long-term Fuel Security Package (FSP) with the Federal Government which has reduced the Group's downside risk to the Geelong Refining Margin (GRM). While the introduction of the FSP has removed a degree of uncertainty associated with the carrying value of the refining assets, this remains a key audit matter because of the judgement involved in assessing impairment indicators and the financial significance of the refining assets.	We performed the following procedures amongst others: • Evaluated the Group's assessment of impairment indicators, including the conclusions reached. • Considered the movement in oil price and asset performance over the period, and the ongoing nature of refining assets. • Verified the mathematical accuracy of the calculation for the FSP margin marker in line with the requirements under the FSP. • Considered the eligibility for payments made under the FSP. • Evaluated the adequacy of disclosures in note 11 in light of the requirements of Australian Accounting Standards. Based on the procedures performed, we noted no material issues from our work.

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Key audit matter	How our audit addressed the key audit matter
Environmental and asset retirement provisions *(Refer to note 17) [$138.0m]* As at 31 December 2021, the Group recognised the following provisions: • Environmental provisions: $43.5m • Asset retirement provisions: $94.5m The provisions relate to the Group's obligations to rehabilitate sites, either during or at the end of their operations. This includes the Group's conversion of its former Clyde refinery to a storage terminal. This was a key audit matter as the calculation of the provisions required the Group to make judgements in estimating the cost and timing of future rehabilitation work, discounted to their present value, and the provisions are material.	We performed the following procedures amongst others: • Tested the mathematical accuracy for a sample of the provision calculations. • Evaluated the completeness of the provisions by reviewing the litigation register and board minutes to identify any legal notices in relation to environmental obligations and checked that these were appropriately considered in the determination of the provisions. • Assessed the competence, experience and objectivity of the internal and external experts used by the Group in preparing the relevant calculations for the determination of the provisions. • Corroborated a sample of estimates used in the provision calculations to third party support or estimates made by external experts. • Performed sensitivity analysis over key estimates and assumptions, such as the discount and inflation rates used by making changes that we consider reasonably possible to assumptions, to assess the impact on the asset retirement provision determined. Based on the procedures performed, we noted no material issues from our work.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Operating and financial review, Board of Directors, Executive Leadership Team and Directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

pwc

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 89 to 109 of the directors' report for the year ended 31 December 2021.

In our opinion, the remuneration report of Viva Energy Group Limited for the year ended 31 December 2021 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.

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
21 February 2022

Disclosures

On 11 July 2018, the Company was granted certain waivers by ASX from ASX Listing Rule 10.1. The following information is required to be disclosed in the Annual Report by the terms of the waivers.

Summary of material terms of certain supply agreements with affiliates of Vitol Holding B.V.

Members of the Group and affiliates of Vitol Holding B.V. are parties to a number of contractual arrangements, including the following material contracts:

- Vitol Asia Pte Ltd (Vitol Asia) and Viva Energy SG Pte Ltd are parties to a fuel supply agreement dated 18 June 2018 (Vitol Fuel Supply Agreement);
- Vitol Aviation BV (Vitol Aviation) and Viva Energy Aviation Pty Ltd (Viva Aviation) are parties to an agreement relating to the supply of aviation fuel dated 23 April 2018 (Vitol Aviation Fuel Supply Agreement); and
- Vitol Asia and Viva Energy Australia Pty Ltd are parties to a standard-form ISDA Master Agreement dated 13 August 2014 (Hedge Agreement).

Vitol Fuel Supply Agreement

Overview

Under the Vitol Fuel Supply Agreement, Vitol Asia agrees to supply to Viva Energy, and Viva Energy agrees to purchase (and to ensure that each other member of the VEA Group purchases) from Vitol, the following products:

- all of Viva Energy's requirements for feedstock for its refining operations, including crude oil and condensate (Feedstock), subject to certain exceptions; and
- all of the hydrocarbon products (other than Feedstock) required by the VEA Group for its Australian operations, except for products produced by the VEA Group's refining operations, products purchased under 'buy-sell' agreements with local refiners, and any lubricant products purchased from Shell Markets (Middle East) Limited under an Agreement for the Sale and Distribution of Lubricants (Shell Lubricants Agreement) (collectively, Product).

Exclusivity arrangements

Pursuant to the Vitol Fuel Supply Agreement, Viva Energy agrees that it will not (and will ensure that each other member of the VEA Group does not), except with the prior written consent of Vitol Asia but subject to certain exceptions, acquire product from any third party or acquire any interest in a third-party supplier of product which is inconsistent with Viva Energy's obligations under the agreement. Further, Viva Energy agrees that if it or any member of the VEA Group wishes to sell any Products which are ultimately exported out of Australia, Vitol Asia shall be the sole and exclusive market interface for all such sales on terms to be mutually agreed.

In addition, if any member of the Group at any time seeks to purchase any lubricants of the kind purchased by Viva Energy under the Shell Lubricants Agreement other than pursuant to the terms of that agreement, Vitol Asia shall, to the maximum extent permitted by law, be the exclusive supplier of such lubricants to Viva Energy on terms to be mutually agreed by the parties but based on the terms of the Vitol Fuel Supply Agreement.

For the purposes of the above paragraphs, VEA Group means the Company and each of its direct and indirect holding companies and subsidiaries, and subsidiary undertakings and associated companies from time to time of such holding companies.

Term and termination

The initial term of the Vitol Fuel Supply Agreement is 10 years, which Vitol Asia may renew for a further period of five years and which, following such renewal, the parties may renew again for a further period of five years by mutual agreement[1].

The Vitol Fuel Supply Agreement may be terminated in the following circumstances:

- by the non-defaulting party, if the defaulting party becomes insolvent or fails to pay any amount due under the agreement;
- by the non-defaulting party, if Vitol Asia fails to deliver, or Viva Energy fails to take delivery of, for reasons other than 'Force Majeure', at least 75% of the aggregate quantities of Product nominated or agreed for delivery and receipt in a month for six or more consecutive months;
- by either party giving not less than 12 months' notice, if Vitol Asia announces that it intends to discontinue its Product trading business serving Australia; and
- by Vitol Asia, in the event of Viva Energy's breach of certain of its obligations under the Vitol Fuel Supply Agreement (including its obligations under the exclusivity arrangements), any event of default or review event under Viva Energy's financing arrangements, and certain other termination events.

1. Renewal of the Vitol Fuel Supply Agreement will be subject to shareholder approval, should ASX Listing Rule 10.1 apply at that time.

Pricing terms

Under the Vitol Fuel Supply Agreement, the price for each delivery of Product is, or is determined by reference to, a price mutually agreed by the parties based on prevailing market conditions, the actual price at which the relevant Vitol entity acquired the Product or the average price in the relevant index for the Product plus reasonable financing and handling costs and the cost of freight and logistics, as well as applicable market and quality premiums/discounts.

Procurement fee

The parties have agreed that no procurement fee will be payable to Vitol Asia during the first five years of the term of the Vitol Fuel Supply Agreement. A procurement fee may be payable following this period, if mutually agreed by the parties and determined on the basis of prevailing market conditions.

Title and risk

Title to the Product in each shipment passes from Vitol Asia to Viva Energy as the Product passes on to the ship at the load port. All risk in the Product in each shipment passes to Viva Energy on and from that time.

Shortfall

If, except to the extent that such was caused by Viva Energy, Vitol Asia is unable to source or deliver sufficient Product to meet any shipment that has been nominated by Viva Energy, then to the extent of such shortfall, Viva Energy may, with the prior written consent of Vitol Asia (not to be unreasonably withheld or delayed), enter into a short-term agreement for the supply of such Product shortfall.

Guarantee

Under a separate but related document, certain members of the Group (including Viva Energy Holdings Pty Ltd and Viva Energy Australia Group Pty Ltd) have guaranteed to Vitol Asia the due and punctual performance and observation by Viva Energy of its obligations under the Vitol Fuel Supply Agreement. The Company is a guarantor in respect of those obligations.

Vitol Aviation Fuel Supply Agreement

Overview

Under the Vitol Aviation Fuel Supply Agreement:

- Viva Aviation agrees to provide refuelling services on behalf of Vitol Aviation to Vitol Aviation's international customers that require such services (Refuelling Services) and, among other things, must establish and maintain or otherwise ensure access and use of facilities at airports necessary to deliver aviation fuel to Vitol Aviation's customers; and
- Vitol Aviation is responsible for managing its international customer accounts in connection with the Refuelling Services.

Term and termination

The Vitol Aviation Fuel Supply Agreement remains in force until terminated in accordance with its terms, including for convenience by either party upon 12 months' notice, such notice not to be given prior to the fourth anniversary of the commencement of the agreement[2].

The Vitol Aviation Fuel Supply Agreement may also be terminated in the following circumstances:

- where the other party commits a material breach of the agreement, which is not remedied;
- where the other party repudiates the contract;
- where an 'Insolvency Event' occurs in respect of the other party; or
- where the other party suspends or ceases, or threatens to suspend or cease, carrying on all or a substantial part of its business.

Exclusivity

Vitol Aviation agrees to not utilise any party other than Viva Aviation in the provision of services similar to the Refuelling Services within Australia, unless and except to the extent that Viva Energy is unable to perform the agreed services.

Pricing

Vitol Aviation and Viva Aviation must use reasonable endeavours to agree on a fuel rate and commission rate in connection with each customer tender. Viva Aviation must invoice Vitol Aviation on a monthly basis in respect of sales to Vitol Aviation's customers, and Vitol Aviation is entitled to receive the agreed commission and fuel rate in respect of each such sale.

Hedge agreement

Vitol Asia and Viva Energy Australia Pty Ltd are parties to a standard-form ISDA Master Agreement pursuant to which Viva Energy hedges the price risks associated with the volatility of crude oil pricing. Each member of the Group has provided a guarantee to Vitol Asia in respect of Viva Energy's performance under this agreement. The agreement will remain on foot until terminated by agreement of the parties or otherwise in accordance with its terms.

2. Continuation of the Vitol Aviation Fuel Supply Agreement for any period beyond the 10-year anniversary of the Company's listing on the ASX will be subject to shareholder approval, should ASX Listing Rule apply at that time.

Additional information

The information below is current as at 3 March 2022.

Voting rights

Shareholders in the Company have a right to attend and vote at all general meetings in accordance with the Company's Constitution, the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

Substantial holders

As at 3 March 2022, Viva Energy has three substantial holders who, together with their associates, hold 5% or more of the voting rights in the Company, as notified to the Company under the *Corporations Act*.

Name	Date notice received	Number of shares[1]	Percentage of capital[2]
Pendal Group Limited	9 February 2022	78,183,777	5.04%
Challenger Limited	24 December 2021	97,717,191	6.28%
VIP Energy Australia B.V.	17 July 2018	871,845,097	44.84%

1. The number of shares quoted are based on the number of shares disclosed in the substantial shareholder notices lodged by each holder. In 2020 and 2021, the Company undertook two share consolidations where each share in the Company held on 9 October 2020 was consolidated into 0.84 shares and each share in the Company held on 20 October 2021 was consolidated into 0.97 shares (with any resulting fraction of an ordinary share held by a shareholder rounded up to the next whole number of shares).
2. The percentages quoted are based on the percentages disclosed in the substantial shareholder notices lodged by each holder. In 2020 and 2021, the Company bought on market and cancelled shares pursuant to its on-market buy-back programs and as at 3 March 2022, has 1,551,490,462 ordinary shares on issue.

Distribution of shareholders and number of shares

The following table shows the total number of shares on issue in the Company as at 3 March 2022 and the distribution of Viva Energy shareholders by the size of their shareholding.

Size of holdings	Total holders	Number of shares held	Percentage
1 – 1,000	2,524	1,312,518	0.08%
1,001 – 5,000	4,579	11,787,745	0.76%
5,001 – 10,000	1,907	14,311,374	0.92%
10,001 – 100,000	1,651	37,485,958	2.42%
100,001 and over	87	1,486,592,867	95.82%
Total	**10,748**	**1,551,490,462**	**100.00%**

Top 20 shareholders

The 20 largest registered shareholders as at 3 March 2022 are shown below.

		Number of shares held	Percentage
1	VIP ENERGY AUSTRALIA B.V.	710,379,386	45.79%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	281,506,242	18.14%
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	160,146,364	10.32%
4	CITICORP NOMINEES PTY LIMITED	128,451,745	8.28%
5	NATIONAL NOMINEES LIMITED	68,871,386	4.44%
6	BNP PARIBAS NOMINEES PTY LTD	19,565,447	1.26%
7	ARGO INVESTMENTS LIMITED	18,601,825	1.20%
8	BNP PARIBAS NOMS PTY LTD	13,909,580	0.90%
9	CITICORP NOMINEES PTY LIMITED	9,332,007	0.60%
10	SCOTT WYATT	7,769,487	0.50%
11	UBS NOMINEES PTY LTD	7,546,413	0.49%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	7,176,829	0.46%
13	NETWEALTH INVESTMENTS LIMITED	5,689,665	0.37%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,966,658	0.32%
15	PACIFIC CUSTODIANS PTY LIMITED	4,467,528	0.29%
16	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	3,431,657	0.22%
17	NAVIGATOR AUSTRALIA LTD	2,880,855	0.19%
18	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD	2,529,666	0.16%
19	MR DENIS JEAN-MARC URTIZBEREA	2,290,946	0.15%
20	WARBONT NOMINEES PTY LTD	2,071,975	0.13%
	Total	**1,461,585,661**	**94.21%**
	Balance of register	**89,904,801**	**5.79%**
	Grand total	**1,551,490,462**	**100.00%**

Holders with less than a marketable parcel

As at 3 March 2022, there were 177 shareholders holding less than a marketable parcel of shares (A$500) based on the closing market price of $2.52.

Shares purchased on-market

We purchase shares on-market for the purposes of our Employee Share Plan and for the purposes of our incentive plans.

During the period (from 1 January 2021 to 3 March 2022) 5,341,237 shares were purchased on-market at an average price of $2.25 per share.

On-market buy-back

On 24 August 2021, the Company announced its intention to conduct an on-market buy-back program. As at 3 March 2022, the Company has bought back 7,924,716 shares under this program.

Unquoted equity securities

As at 3 March 2022, the Company has on issue:

- 2,854,674 Deferred Share Rights granted under the Company's STIP and LTIP, held by 64 employees; and
- 4,542,795 Performance Rights granted under the Company's LTIP, held by 7 employees.

Historical information

For the years ended 31 December		2021	2020 pro forma[1]	2019 pro forma[1]	2018 pro forma[1]	2017 pro forma[1]
Consolidated results						
Revenue	$M	**15,900.0**	12,409.9	16,541.6	16,395.1	15,660.5
Group Underlying EBITDA (RC)	$M	**484.2**	244.6	392.9	531.5	634.3
Underlying EBITDA (RC) – Retail	$M	**187.5**	235.4	149.3	198.6	255.8
Underlying EBITDA (RC) – Commercial	$M	**217.3**	156.4	186.2	243.4	135.9
Underlying EBITDA (RC) – Refining	$M	**103.4**	(127.9)	79.0	99.0	257.8
Underlying EBITDA (RC) – Corporate	$M	**(24.0)**	(19.3)	(21.6)	(9.5)	(15.1)
Underlying NPAT (RC)	$M	**191.6**	33.4	157.1	299.6	375.1
Distributable NPAT (RC)	$M	**191.6**	22.8	153.0	155.4	n/a
Financial statistics						
Operating cash flow before capital expenditure[2]	$M	**438.1**	80.3	340.3	535.7	445.8
Capital expenditure	$M	**185.1**	158.5	161.7	241.3	233.6
Net debt	$M	**95.2**	104.2	137.4	(0.2)	74.6
Earnings per share – basic	cents/share	**14.6**	(1.9)	5.8	29.8	n/a
Earnings per share – diluted	cents/share	**14.5**	(1.9)	5.7	29.4	n/a
Dividends per share paid	cents/share	**4.1**	0.8[3]	4.7	4.8	n/a
Other data						
Sales volume	ML	**13,105**	12,339	14,695	14,046	14,151
Number of service stations[4]	#	**1,345**	1,339	1,292	1,255	>1,100
Refining intake	MBBLs	**41.2**	34.8	42.0	40.1	40.8
Geelong Refining Margin	US$/BBL	**7.1**	3.1	6.6	7.4	10.2
Share price – high	$	**2.49**	2.12	2.58	2.51	n/a
Share price – low	$	**1.66**	1.13	1.72	1.66	n/a
Share price – close	$	**2.35**	1.91	1.92	1.80	n/a
Shares on issue – at year end	#M	**1,551**	1,608	1,945	1,945	n/a

1. Pro forma adjustments have been made to ensure consistency and comparability with reported 2021 performance. Each of the prior year comparatives have been restated to reflect the reporting changes implemented in 2021, the key four changes being adjustments to lease accounting, allocation of supply, corporate and overhead costs, segment reclassification for wholesale volumes and FX and derivatives reporting.

   In addition, for 2018, pro forma adjustments include the impact of AASB 16 *Leases* and to present the financial information in a manner that is consistent with the structure and nature of the Group post IPO (13 July 2018). For 2017, pro forma adjustments include the impact of AASB 16 *Leases* and the financial information included relates to Viva Energy Holding Pty Ltd.
2. The reporting changes referred to above also result in a reclassification of lease related finance costs and repayments of lease liability into operating cash flow before capital expenditure. The 2020 comparison has been restated. There is no impact on the 2018 and 2017 years as these years were not restated on the adoption of AASB 16 *Leases*.
3. Excludes the special dividend of 5.94 cents per share.
4. Alliance, Dealer Owned, Westside Petroleum and Liberty Platforms.

Corporate directory

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Share registry

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Investor relations

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Website

To view the Annual Report 2021, *Corporate Governance Statement 2021*, shareholder and Company information, news announcements, financial reports, historical information and background information on Viva Energy, please visit our website at www.vivaenergy.com.au.

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