

Risk Management Policy

June 2020

1. Introduction

Dexus’s approach to risk management, as articulated in this Policy and the Risk Management Framework (“the framework”), is aligned to the purpose of ISO31000:2018, specifically that “*risk management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives*”¹. The framework also addresses ASIC’s RG259 – Risk management systems for responsible entities.

Dexus is committed to meeting high standards of risk management in the way it conducts its business. Effective risk management is critical to enable Dexus to deliver high quality services and products to its customers and maximise investor returns. Dexus’s approach to risk management is detailed in its Risk Management Framework which is reviewed and approved by the Board at least annually.

2. Scope and application

This Policy, including the Risk Management Framework, applies to Dexus Funds Management Limited, Dexus Wholesale Management Limited, Dexus Wholesale Funds Limited, Dexus Investment Management Limited and Dexus Wholesale Property Limited.

All employees are required to understand, promote and be responsible for ensuring that internal controls are in place to effectively manage risks that apply to activities within their day-to-day responsibility, including risks associated with business decisions, processes, systems or people and external events. While all legal entities which comprise the Dexus Group are subject to this policy, it also applies, to the maximum extent possible, to agents and contractors that act for or on behalf of Dexus.

3. The Principles of Risk Management

The purpose of risk management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives. The eight principles set out in ISO 31000:2018 provide guidance on the characteristics of effective risk management and underpin the Dexus Risk Management Framework. These principles should enable Dexus to manage the effects of uncertainty on its objectives.



Principles of ISO 31000:2018

¹International Organization for Standardization (2018) *Risk Management – Guidelines* (ISO Standard No. 31000); Section 4

4. Purpose of the Risk Management Framework

The Dexus Risk Management Policy, including our documented Framework, assists the Dexus Group with integrating risk management into our significant activities and functions. The key objective of the framework is to provide Dexus employees with a foundation from which the business can achieve its strategy by effectively identifying and managing the risks and opportunities that impact on the realisation of that strategy.

5. Components of the Risk Management Framework

The Dexus Risk Management Framework encompasses integrating, designing, implementing, evaluating and improving risk management across the organisation. The components of the framework are illustrated below:



Components of the Framework (ISO31000:2018)

The components of the framework, and the way in which they work together, has been implemented by Dexus to ensure the needs of the organisation are met.

6. Risk Management Process

Dexus's risk management process is an integral part of management and decision-making, and is integrated into the structure, operations and processes of the organisation. Dexus's process for managing risk aligns to ISO31000:2018 and involves the systematic application of policies, procedures and practices including but not limited to:

- Communication and consultation with appropriate external and internal stakeholders
- Defining the scope of risk management activities, understanding the external and internal context in environment in which Dexus operates and defining the risk criteria relative to objectives
- Conducting risk assessments performed to identify, analyse and evaluate risks
- Planning and implementing risk treatment, assessing the effectiveness of controls and determination that the risk profile is aligned with Dexus's risk appetite, strategy and culture
- Monitoring and review of risks to provide assurance and improve the quality and effectiveness of process design, implementation and outcomes
- Reporting to Management and Boards including to the Group Risk Committee, Group Management Committee, Dexus Board Audit Committee and Dexus Board Risk Committee.
- Providing training to support employees' awareness of and ability to execute their risk management responsibilities.

7. Roles and Responsibilities

Governance guides the course of the organisation, its external and internal relationships, and the rules, processes and practices needed to achieve its purpose. The following summarises the roles and responsibilities of Board and Management Committees as they relate to risk.

| Role | Responsibility |
|---|--|
| Board of Directors | The Board of Directors is ultimately responsible for risk management and is responsible for setting the tone and culture of risk and compliance management at Dexus. The Board sets the risk appetite for the business. The Dexus Board has established committees to assist it in its obligations as they relate to risk management, review policies and oversee the management and status of major business risks. |
| Board Risk Committee | To oversee risk management, the Dexus Board has established a Board Risk Committee responsible for reviewing the Group's enterprise wide risk management and compliance management frameworks. The Board Risk Committee also acts as an advisory body to the Dexus Wholesale Funds Limited Board ("DWFL") and Dexus Investment Management Limited Board ("DIML"). |
| Board Audit Committee | To oversee financial risk management, the Dexus Board has established a Board Audit Committee responsible for the oversight of Dexus's Internal Audit program, reviewing the integrity and quality of the Group's (including operations as they relate to Dexus's capital partners) financial statements and disclosures including auditing, accounting and financial reporting processes. |
| Board Environmental, Social and Governance (ESG) Committee | To oversee external Environmental, Social and Governance (ESG) trends and understanding associated risks and opportunities, the Dexus Board has established a Board ESG Committee responsible for the material environmental, social and governance issues relevant to the Group's business activities and support Dexus in maintaining its position as a global leader in ESG performance. |
| Board People & Remuneration Committee | To oversee risks associated with Dexus's human resources, the Dexus Board has established a Board People & Remuneration Committee responsible for reviewing succession planning for key executives, key policies such as the Code Conduct and Diversity Principles and other People & Culture practices. |
| Board Nomination Committee | To oversee risks associated with Director nomination and the Dexus Board performance evaluation, the Dexus Board has established a Board Nomination Committee responsible for reviewing the size, composition, diversity, skills and desired competencies of the Board and its delegated committees. |
| Group Management Committee | The Group Management Committee is responsible for ensuring appropriate risk management practices and policies are in place. Members of the Group Management Committee (Executive General Managers) are responsible for promoting a culture of ethical behaviour and proactive risk management for their areas of responsibility. |
| Group Risk Committee | The objective of the Group Risk Committee is to oversee the Group's risk management and compliance management policies including the establishment and delivery of the internal audit program. The Committee fosters adherence to Dexus's policies including those addressing ethical conduct and behaviour. |
| Risk and Compliance Teams | The Risk and Compliance teams, together with the business, operate under structured programs which includes the monitoring of compliance and risk management. The teams independently review and report on operational compliance and risk management. |
| All employees | Risk is managed in every part of an organisation's structure and therefore every Dexus employee has responsibility for managing risk on an ongoing basis. This includes the identification of potential risks and, with management, employees are responsible for undertaking appropriate assessment and the development of risk mitigation plans as part of the implementation of risk reduction strategies. |

Further details of the Board and its Committees are provided in the Terms of Reference available on the Dexus website. The Terms of Reference are reviewed and approved at least annually.

8. Related policies

- Employee Code of Conduct Policy
- Fraud, Corruption and Bribery Policy
- Whistleblower Policy
- Work Health Safety and Liability Statement Policy

9. Review

At least annually, the Board Risk Committee reviews and endorses the Risk Management Policy to the Board for approval. The Risk Management Framework and Risk Appetite Statement are also approved by the Board annually.