

**DEXUS PROPERTY GROUP**  
**2013 Carbon Disclosure Project**



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# INTRODUCTION

## Introduction

### 0.1 Introduction

**Please give a general description and introduction to your organization**

DEXUS Property Group (DEXUS) is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With a total of \$13 billion of assets under management, DEXUS also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. DEXUS manages an office portfolio of over 900,000 square metres across Sydney, Melbourne, Brisbane and Perth and is the largest institutional owner of office buildings in the Sydney CBD, Australia's largest office market. DEXUS is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange under the stock market trading code 'DXS' and is supported by more than 18,000 investors from 15 countries. With over 25 years of experience in property investment, development and asset management, DEXUS has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns to investors.

### 0.2 Reporting Year

**Please state the start and end date of the year for which you are reporting data.**

Fri 01 Jul 2011 - Sat 30 Jun 2012.

### 0.3 Country list configuration

**Please select the countries for which you will be supplying data. This selection will be carried forward to assist you in completing your response**

Australia and New Zealand

### 0.4 Currency selection

**Please select the currency in which you would like to submit your response. All financial information contained in the response should be in this currency.**

AUD (\$)

### 0.6 Modules

**As part of the request for information on behalf of investors, electric utilities, companies with electric utility activities or assets, companies in the automobile or auto component manufacture sectors, companies in the oil and gas industry and companies in the information technology and telecommunications sectors should complete supplementary questions in addition to the main questionnaire.**

If you are in these sectors (according to the Global Industry Classification Standard (GICS)), the corresponding sector modules will not appear below but will automatically appear in the navigation bar when you save this page. If you want to query your classification, please email [respond@cdproject.net](mailto:respond@cdproject.net)

If you have not been presented with a sector module that you consider would be appropriate for your company to answer, please select the module below. If you wish to view the questions first, please see <https://www.cdproject.net/en-US/Programmes/Pages/More-questionnaires.aspx>



## Module: Management - Investor

### Governance

#### 1.1 Where is the highest level of direct responsibility for climate change within your company?

Individual/Sub-set of the Board or other committee appointed by the Board

#### 1.1a Please identify the position of the individual or name of the committee with this responsibility

Board Risk and Sustainability Committee. The Board Risk and Sustainability Committee reports to the Board. The Committee consists of three independent Directors appointed by the Board, which assists in fulfilling the Board's oversight of CR&S issues by reviewing matters including the Group's CR&S practices and procedures. A senior management internal committee, the CR&S Committee reports to the Board Risk and Sustainability Committee.

#### 1.2 Do you provide incentives for the management of climate change issues, including the attainment of targets?

Yes

#### 1.2a Please complete the table

Who is entitled to benefit from these incentives?	The type of incentives	Incentivized performance indicator
Business unit managers	Monetary reward	The management of climate change risk assessing and reporting is a business objective and CR&S has been integrated into each business unit manager's role and responsibilities and CR&S performance is detailed within the business unit manager's annual performance review. These include but are not limited to meeting emission reduction targets and communicating climate change issues. These form part of individual objectives within the team and are linked to performance measurement and remuneration.
Other: Environment/sustainability managers	Monetary reward	The management of climate change risk assessing and reporting is a business objective and the CR&S team have targets to deliver business objectives. These include but are not limited to meeting emission reduction targets and communicating climate change issues. These form part of individual objectives within the team and are linked to performance measurement and remuneration.
All employees	Monetary reward	CR&S has been integrated into each employee's roles and responsibilities within their job description. CR&S performance is detailed within each employees annual performance review.

### Strategy

#### 2.1 Please select the option that best describes your risk management procedures with regard to climate change risks and opportunities

Integrated into multi-disciplinary company wide risk management processes

#### 2.1a Please provide further details

##### (i) Scope of the process

DEXUS has processes for analysing risks and opportunities related to climate change at a company-wide and property specific level. DEXUS facilitates annual company-wide Risk Assessment workshops to identify and analyse business risks and opportunities and risk mitigation practices which explicitly consider climate change.

At the property level, DEXUS has conducted a climate change risk assessment and created a report and an impact register. These documents are reviewed and updated annually.

DEXUS addresses climate change and sustainability risks of a potential acquisition before purchase through a rigorous due diligence process. This process requires details on the potential acquisition's environmental performance including NABERS ratings, Green Star ratings, energy and water consumption, climate change impact research or assessments that have been conducted.

It also includes building upgrade and improvement plans, past energy and water audits undertaken as well as costing required upgrades to the property in line with the Group's 4.5 star NABERS Energy rating target. The building performance can affect procurement decisions and determine the investment strategy for the asset, both in the short and long term.

#### **(ii) Assessment of risks and opportunities at a company level**

Natural catastrophe modelling is undertaken across the portfolio on an annual basis to assist DEXUS in identifying natural catastrophe loss exposures, including the establishment of relevant limits of liability for insurance coverage and issues pertaining to aggregation of risks. Insurance deductibles are set based on risk appetite and exposures to natural catastrophe risks as outlined in the modelling. The modelling assists the development of relevant site mitigation plans associated with natural catastrophe risks, such as flood, cyclone, hurricane, windstorm and earthquake.

DEXUS conducts annual Risk Assessment workshops using a Risk Register that includes individual property climate change risk. These workshops reference the Group's Climate Change Assessment Report, Climate Change Impact Property Register and Climate Change Action Plans and consider risks and opportunities of activities associated with its corporate entities and stakeholders – investors, tenants, suppliers, people, community and environment. The current risk to the Group from climate change is low. DEXUS's properties are predominantly located in metropolitan areas with stable infrastructure, effective Local Government Area planning for climate change impacts and services, and do not include residential development sites or coastal developments.

#### **(iii) Assessment of risks and opportunities at a property level**

Annual natural catastrophe modelling drives the production of natural catastrophe risk management plans for at-risk locations. This includes site specific flood and earthquake mitigation plans for at-risk properties. In 2011, DEXUS scoped and conducted a multilevel climate change risk assessment across its national office, industrial and retail portfolios. The project examined climate change aspects and physical risk impacts assessing building location, fabric, core use, sector and age. The data was cross-referenced against a range of government and nationally modelled environmental and potential climate change impacts to determine a weighted risk score for each property.

Key data points included energy availability, water scarcity, rising utility costs, extreme winds, thunderstorms, cyclonic activity increase in average temperatures, increases and decreases in annual rainfall, sea level rise, flood risk and other relevant modelled impacts. The result was a Climate Change Impact Property Register ranking the portfolio from most at risk to least at risk. The Climate Change Impact Property Register ranks all Australian properties against a weighted risk matrix with targets being set at a property level to reduce the weighted risk. Climate Change Action Plans were developed for the top ten properties at risk.

Plans are coordinated at the corporate level and managed at the property level by the Property Manager in collaboration with the onsite operations team. The project allowed DEXUS to assess risks and opportunities relating to climate change at the property level and communicate these findings throughout the business. The action plans, report and register are planning tools that are made available to the Investment Committee to influence strategy and short and long term investment decisions.

To ensure the procurement of properties consider climate change related impacts; all proposals for property acquisition are submitted to DEXUS's Investment Committee and include consideration of climate change and sustainability risks and environmental performance. In addition, all project approval submissions for capital works require the consideration of sustainability criteria to ensure the full spectrum of risks and opportunities is considered.

#### **(iv) Frequency of monitoring**

DEXUS's internal CR&S Committee receives quarterly reports on the results of company-wide and property specific assessments and monitors progress in line with action plans developed by line management. The minutes of the CR&S Committee are reviewed by the Board Risk and Sustainability Committee on a quarterly basis.

#### **(v) Criteria for determining materiality and priorities**

Annually, in association with CR&S stakeholder consultation, an external service provider facilitates workshops to determine the materiality and priority of a range of issues from a corporate and stakeholder perspective. The criteria for determining materiality include scale of financial impact, likelihood of occurrence and community significance. The output of these workshops assists DEXUS management in validating and refining the materiality threshold and perception of climate change related priorities. Insurance data is also used to identify and assess materiality.

## **(vi) Reporting results**

Results are reported to the CR&S Committee and its minutes are reviewed by the Board Risk and Sustainability Committee.

### **2.2 Is climate change integrated into your business strategy?**

Yes

#### **2.2a Please describe the process and outcomes**

##### **(i) How the business strategy is influenced**

The integration of climate change into DEXUS's business strategy is reflected at all levels of the organisation. Climate change risks which include resource consumption, resource costs and availability are assessed regularly. The CEO holds a business strategy briefing regularly for all employees, including remote employees who attend by video and telephone links. This update includes sustainability and carbon management updates. The senior management team and each business unit hold off-site divisional strategy and planning workshops at least annually which include the development and assessment of climate change and GHG emissions strategies.

In addition, DEXUS looks at emerging risks and opportunities and assessed the materiality to all parts of the business. Business divisions have targets for GHG emissions reductions as well as energy and water efficiency targets. Quarterly assessments are made against specific objectives and the property teams hold regular meetings which monitor performance and report internally to various committees and investment managers on progress.

##### **(ii) Aspects of climate change that influenced strategy**

Climate change considerations are integrated into DEXUS's business strategy. Aspects include energy, water and GHG emissions reduction targets, physical climate change through extreme weather events (portfolio composition, property location, individual property resilience). In FY11 DEXUS expanded its assessment to include Scope 3 emissions. For example, as part of emissions reduction strategies, DEXUS's office team had a target to achieve a 4.5 star weighted average NABERS Energy rating for the listed office portfolio by the close of calendar year 2012.

DEXUS was on track to achieve this target at June 2012, with a rating of 3.9 stars. DEXUS achieved this target and as at 31 December 2012 the weighted average NABERS Energy rating was 4.7 stars. DEXUS has delivered reductions in consumption, achieving reduction targets as well as tenant leasing objectives (responding to tenant demand for sustainable buildings).

Similar strategies were implemented in the Retail division during the financial year. DEXUS publishes its objectives externally on its website and within its Annual Review to demonstrate the Group's commitment to resource reduction and emissions management.

DEXUS implemented emission reduction targets as part of its commitment to Scope 3 reduction assessments and certification of Carbon Neutrality for Head Office operations.

##### **(iii) Short-term strategy changes**

The key component of DEXUS's short term business strategy which have been influenced by climate change/extreme weather impacts is the ability to respond quickly to changing circumstances, either environmental or regulatory circumstances. Using a flexible business model and reporting lines to achieve changes in business strategy and operations has enabled DEXUS to manage changes in legislation and implement energy reduction strategies (office portfolio 4.5 star weighted average NABERS Energy rating) efficiently when required. DEXUS ensures operational teams are empowered to respond to climate change related events and severe weather appropriate to the building it operates, as well as managing resource consumption on a daily basis.

All acquisition proposals are submitted to the Investment Committee and this submission is required to consider short term climate change risks (such as impact on planning regulations as a result of climate risk) and sustainability/resource consumption performance against established benchmarks (such as NABERS, Green Star) to identify immediate opportunities for improvement or specific short term risks. In addition, the environmental performance of the property and the capital expenditure and operational improvement required to achieve the target 4.5 star NABERS Energy rating is also considered. All project submissions for capital works require the consideration of sustainability criteria to ensure the full spectrum of risks and opportunities are considered prior to approval.

#### **(iv) Long term strategy changes**

All acquisition proposals are submitted to the Investment Committee and this submission is required to consider longer term climate change (geographic and other locational risks) and sustainability/resource consumption risks that may require substantial long term investment or life cycle equipment upgrading beyond five years.

All project submissions for long term capital works require the consideration of sustainability criteria to ensure the full spectrum of risks and opportunities are considered prior to approval.

Through strategic review, DEXUS measures the risk to its business from the physical threat of climate change. Properties are predominantly located in metropolitan areas with good infrastructure and services and do not include residential or coastal developments. While this means most of the portfolio is at lower than average risk, there are some areas that have been identified as being at higher risk and these are analysed in more detail as part of the Group's annual climate risk assessment. Risks associated with regulatory non-compliance, low levels of investment in capital works and efficiency upgrades are continually monitored.

#### **(v) Opportunities for strategic competitive advantage**

As a result of the decision to adopt a climate risk register, DEXUS is gaining a strategic advantage over its competitors through its ability to respond more responsibly to changing environmental factors and regulatory changes to planning and development frameworks in areas of identified risk that are influenced by climate change factors.

#### **(vi) Substantial business decisions**

Implementation of a climate risk assessment register, reports and action plans across Australia; National Australian Built Environment Rating System (NABERS) is a performance based environmental impact rating system. The use of NABERS ratings as benchmarks across all eligible properties is standard and improved performance will reduce emissions. DEXUS has achieved and is focused on maintaining a weighted average 4.5 star NABERS Energy rating. Being a signatory to the UNPRI and integrating Sustainable Investment Guidelines into the business further embeds climate change factors in to decision making processes.

### **2.3 Do you engage in activities that could either directly or indirectly influence policy on climate change through any of the following? (tick all that apply)**

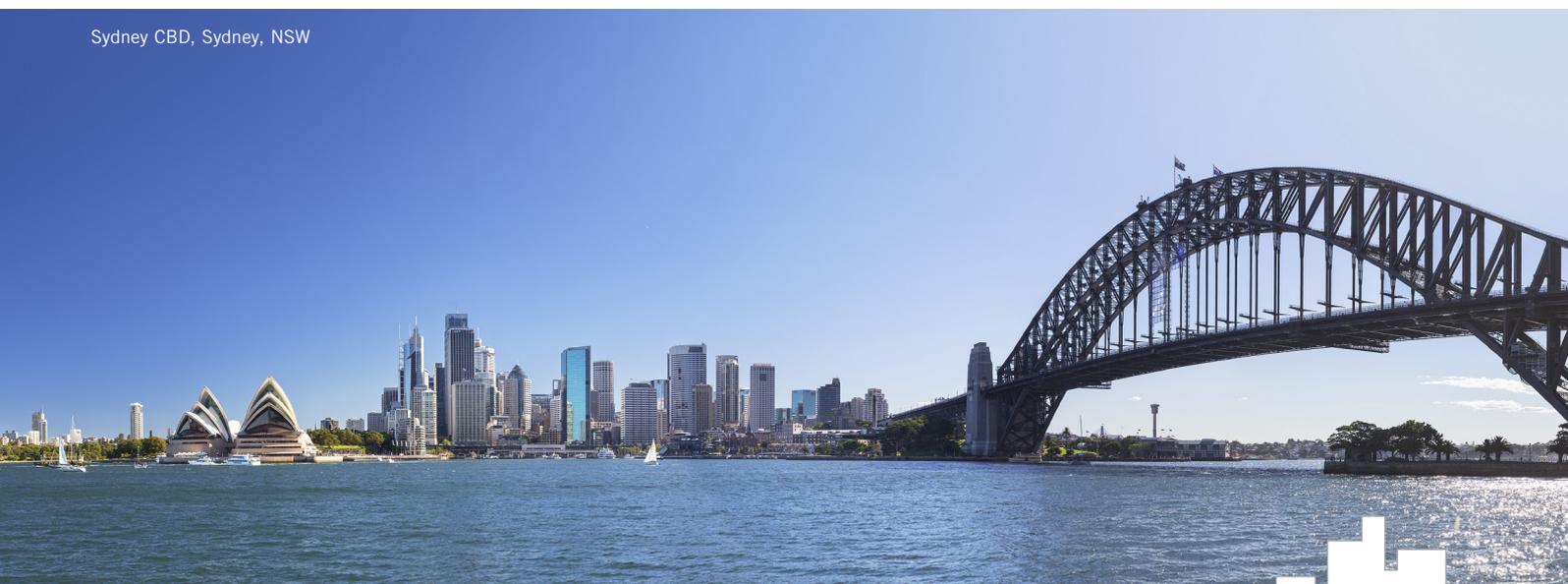
Trade associations  
Other

**2.3a Not applicable**

### **2.3b Are you on the Board of any trade associations or provide funding beyond membership?**

Yes

Sydney CBD, Sydney, NSW



# MANAGEMENT - INVESTOR CONT'D

## 2.3c Please enter the details of those trade associations that are likely to take a position on climate change legislation

Trade association	Is your position on climate change consistent with theirs?	Please explain the trade associations position	How have you, or are you attempting to influence the position?
Property Council of Australia	Consistent	The Property Council of Australia (PCA) states that climate change is a reality. The PCA's response is to focus on eco-efficient - less in, more out - assets and use effective strategic planning of cities. Supported in publicly available media releases, the PCA is focused on its members delivering more efficient buildings and calls for solutions to unlock energy assets to deliver better infrastructure.	DEXUS engagement is through membership of the Property Council of Australia (PCA) as well as in a leadership capacity with its CEO as National President. DEXUS proactively participates in PCA initiatives where the industry body consults membership on policy submissions and DEXUS regularly responds to consultation requests from policy makers. DEXUS supports all policies for actions on climate change mitigation and adaptation. DEXUS influences policy of local, State and National regulators to encourage implementation of new technology and initiatives in developments through changes to building codes. These include renewable energy, water harvesting and community energy provision. DEXUS also advocates for more efficient implementation of legislation relating to climate change industry improvements and changes in local government regulations improving recycling and energy usage. There are no activities that DEXUS is involved in which oppose policy or action on climate change mitigation and adaptation.
Other- Green Building Council of Australia  The Investor Group on Climate Change; and  City of Sydney Better Buildings Partnership	Consistent	Green Building Council of Australia (GBCA) is committed to developing a sustainable property industry for Australia by encouraging the adoption of green building practices. It is uniquely supported by both industry and governments across the country. The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand investors focussing on the impact that climate change has on the financial value of investments. The IGCC recognise that the financial return of an investment is impacted by climate change. As such, the IGCC aims to encourage government policies and investment practices that address the risks and opportunities of climate change, for the ultimate benefit of superannuates and unit holders. City of Sydney Better Buildings Partnership (BBP) represents over 50 per cent of the office floor space across Sydney's CBD. Commercial landlords (partnering companies) have an important role to play in improving the energy, water and waste efficiency of Sydney's existing buildings. BBP's solutions and initiatives are implemented via five technical groups, each of which focuses on a specific challenge facing the commercial and public sector property industry: energy, water, waste, tenant engagement and benchmarking.	DEXUS is an active member of the Green Building Council of Australia, the Investor Group on Climate Change and the Group's founding membership of the City of Sydney Better Buildings Partnership.

**2.3d Not applicable**

**2.3e Not applicable**

**2.3f Not applicable**

**2.3g Please provide details of the other engagement activities that you undertake**

**(i) Methods of engagement**

i. DEXUS is a member of the Better Building Partnership (BBP) and has representatives on BBP sub-committees relating to tenant, leasing, energy, water, waste and metrics. Through this active engagement, DEXUS has advocated best practices in capturing and reporting data to assist in achieving efficiencies and benchmarking.

ii. DEXUS is a member of the technical working group of the Retail NABERS rating tool which addresses measures that increase the efficiency of resource consumption and lower GHG emissions across the retail industry. Through this working group, DEXUS assisted in the development and further enhancement of the Retail rating tool.

Through this contribution DEXUS advocates a consistent and relevant benchmark for energy efficiency in the retail industry, contributing to the reduction of energy consumption and generation of GHG emissions nationally.

iii. DEXUS is a member of the Green Star Performance Technical Working Group hosted by the Green Building Council of Australia which, along with industry, is designing a holistic green building management tool for the built environment. As part of this working group, DEXUS assists in drafting and shaping the tool's performance metrics which ensure building operations are managed to reduce greenhouse gas emissions, reduce waste to landfill, increase biodiversity and reduce energy and water consumption.

**2.3h What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?**

The CR&S Committee and Board Risk and Sustainability Committee review all engagement activities to ensure they are in line with strategic objectives.

The objective of the Committee is to assist the Board in fulfilling its responsibilities by reviewing the Group's operational risk management, internal audit and CR&S practices and procedures including climate change strategies.

## **Targets and Initiatives**

**3.1 Did you have an emissions reduction target that was active (ongoing or reached completion) in the reporting year?**

Intensity target

**3.1a Not applicable**



# MANAGEMENT - INVESTOR CONT'D

## 3.1b Please provide details of your intensity target

ID	Scope	% of emissions in scope	% reduction from base year	Metric	Base year	Normalized base year emissions	Target year	Comment
A-01	Scope 1+2	100%	3%	metric tonnes CO <sub>2</sub> e per square meter	2011	0.052	2012	The Resource Consumption Reduction Program involves achieving a reduction in energy and subsequent Scope 1 and Scope 2 GHG emissions from purchased electricity and natural gas from Australian and New Zealand properties across the office, industrial and retail portfolios where DEXUS has operational control measured on a financial year compared to a FY11 base line. It was determined that it is more appropriate for DEXUS to report and benchmark on an intensity metrics basis (MJ/sqm) than on an absolute emissions basis due to property acquisitions and disposals and changes of operational control within the portfolios.
A-02	Other: Achieving an average 4.5 star NABERS Energy rating across the listed office portfolio in 2012	0%	0%	Other: Achieving an average 4.5 star NABERS Energy rating across the listed office portfolio in 2012	2009	3.2	2012	The Resource Consumption Reduction Program involves achieving a reduction in energy and subsequent Scope 1 and Scope 2 GHG emissions from purchased electricity and natural gas from our listed office portfolio where DEXUS has operational control. A zero figure has been inputted into the percentage of emissions in scope and percentage reduction from base year columns because the absolute target is a NABERS improvement target not a Scope 1 or 2 emissions target. However, GHG emissions savings will result from the average 4.5 star NABERS Energy rating program. NOTE: normalized base year emissions column has been populated with the weighted average NABERS Energy star rating for the base year.

### 3.1c Please also indicate what change in absolute emissions this intensity target reflects

ID	Direction of change anticipated in absolute Scope 1+2 emissions at target completion?	% change anticipated in absolute Scope 1+2 emissions	Direction of change anticipated in absolute Scope 3 emissions at target completion?	% change anticipated in absolute Scope 3 emissions	Comment
A-01	Decrease	12	Decrease	12	During FY12, DEXUS achieved total absolute Scope 1 and Scope 2 emissions reductions of 12% from FY11 (from 126,830 tonnes to 111,573 tonnes). This equates to a 15,257 tonne reduction for the combined office, industrial and retail sectors across the Australian and New Zealand portfolios. The baseline was established at 151,285 tonnes of GHG emissions for Australian and New Zealand properties across all sectors on a FY08 base year. DEXUS does not calculate the Scope 3 emissions on the Australian and New Zealand properties but anticipates a similar reduction.
A-02	Decrease	0	Decrease	0	The Resource Consumption Reduction Program involves achieving a reduction in energy and subsequent Scope 1 and Scope 2 GHG emissions from purchased electricity and natural gas from the listed office portfolio where DEXUS has operational control measured on a financial year compared to a 2009 rating base line. GHG emissions savings will result from the average 4.5 star NABERS Energy rating program. DEXUS does not calculate the scope 3 emissions on the Australian and New Zealand properties but anticipates a similar reduction.

### 3.1d Please provide details on your progress against this target made in the reporting year

ID	% complete (time)	% complete (emissions)	Comment
A-01	100%	100%	Through careful and considered investment and property maintenance and operations, we have reduced GHG across the total Australian and New Zealand portfolio by 6.8% over the last 12 months, exceeding our target by 3.8%. Total absolute reductions of 12% in total GHG emissions were achieved from FY11 to FY12 (from 126,830 tonnes to 111,573 tonnes). This equates to a 15,257 tonne reduction for the combined office, industrial and retail sectors across the Australian and New Zealand portfolios. The baseline was established at 151,285 tonnes of GHG emissions for Australian and New Zealand properties across all sectors on a FY08 base year. It was determined that is more appropriate for DEXUS to report and benchmark on an intensity metrics basis (MJ/sqm) than on an absolute emissions basis due to property acquisitions and disposals and changes of operational control within the portfolios. On this basis, energy and GHG emissions reduced by 6.8% over the year and 31.7% since base year (FY08).
A-02	100%	0%	DEXUS's NABERS Energy Improvement Program across its listed office portfolio to achieve an average 4.5 star NABERS Energy rating concluded at the end of 2012. A zero has been populated in the % complete (emissions) column as the progression against the target is measured by a weighted average NABERS Energy rating. DEXUS exceeded its 4.5 star NABERS Energy target six months ahead of the 2012 target date, achieving a portfolio weighted average rating of 4.7 stars as at 31 December 2012.

# MANAGEMENT - INVESTOR CONT'D

## 3.2 Does the use of your goods and/or services directly enable GHG emissions to be avoided by a third party?

No

## 3.3 Did you have emissions reduction initiatives that were active within the reporting year? (this can include those in the planning and implementation phases)

Yes

### 3.3a Please identify the total number of projects at each stage of development, and for those in the implementation stages, the estimated CO<sub>2</sub>e savings

Stage of development	Number of projects	Total estimated annual CO <sub>2</sub> e savings in metric tonnes CO <sub>2</sub> e (only for rows marked *)
Under investigation	113	
To be implemented*	26	3,147
Implementation commenced*	41	5,631
Implemented*	309	23,624
Not to be implemented	42	

### 3.3b For those initiatives implemented in the reporting year, please provide details in the table below

Activity type	Description of activity	Estimated annual CO <sub>2</sub> e savings (metric tonnes CO <sub>2</sub> e)	Annual monetary savings (unit currency - as specified in Q0.4)	Investment required (unit currency - as specified in Q0.4)	Payback period
Energy efficiency: Building services	<b>LUMLEY HOUSE – 309 KENT STREET, SYDNEY, NSW</b> An upgrade and replacement of the building management systems has been implemented, improving the efficiency of energy consumption (including the upgrade of mechanical systems and lighting upgrades) and reducing Scope 2 emissions. This work was undertaken voluntarily. Expected time life is 11-15 years.	489	54,946	924,250	4-10 years
Energy efficiency: Building services	<b>321 KENT STREET, SYDNEY, NSW</b> An upgrade and replacement of the building management systems has been implemented, improving the efficiency of energy consumption (including the upgrade of mechanical systems and lighting upgrades) and therefore reducing Scope 2 emissions. This work was undertaken voluntarily. Expected time life is 11-15 years.	936	100,530	1,157,720	4-10 years
Energy efficiency: Building services	<b>THE ZENITH – 821-843 PACIFIC HIGHWAY, CHATSWOOD, NSW</b> An upgrade and replacement of the building management systems was implemented, improving the efficiency of energy consumption (including the upgrade of mechanical systems and lighting upgrades) and reducing Scope 2 emissions. This work was undertaken voluntarily. Expected time life is 11-15 years.	2,706	363,500	6,640,000	4-10 years

Activity type	Description of activity	Estimated annual CO <sub>2</sub> e savings (metric tonnes CO <sub>2</sub> e)	Annual monetary savings (unit currency - as specified in Q0.4)	Investment required (unit currency - as specified in Q0.4)	Payback period
Energy efficiency: Building services	<b>SMITHFIELD SHOPPING CENTRE – CAPTAIN COOK &amp; KENNEDY HIGHWAYS, CAIRNS</b>  An upgrade of the building management system to control peak demand and in corporate load shedding was implemented, improving the efficiency of energy consumption (including the upgrade of chiller plant equipment and centre-wide lighting upgrade) and reducing Scope 2 emissions. This work was undertaken voluntarily. Expected time life is 4-10 years.	1,134	165,340	2,697,553	4-10 years
Energy efficiency: Building services	<b>TWEED CITY SHOPPING CENTRE – 54 PACIFIC HIGHWAY, TWEED HEADS, NSW</b>  An upgrade and replacement of intelligent electricity monitoring system was undertaken, improving the efficiency of energy consumption (including the upgrade of mechanical systems such as cooling towers, installation of high-efficiency chillers and mall lighting upgrades) and reducing Scope 2 emissions. This work was undertaken voluntarily. Expected time life is 4-10 years.	1,912	277,970	179,6190	4-10 years
Energy efficiency: Building services	<b>PLUMPTON MARKETPLACE – CORNER JERSEY &amp; HYATT ROADS, PLUMPTON, NSW</b>  An upgrade of the air-conditioning upgrades (including incorporation of economy cycle controls to major units), mechanical power factor correction upgrades, built form improvements to reduce heat absorption (ultraviolet reflective roof coating) and lighting grades in the mall areas. The objectives of these initiatives will reduce Scope 2 emissions. This work was undertaken voluntarily. Expected time life is 4-10 years.	612	66,100	392,700	4-10 years

Plumpton Marketplace, Cnr Jersey & Hyatts Roads, Plumpton, NSW



## 3.3c What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Employee engagement	DEXUS runs a compulsory Annual Risk & Sustainability roadshow for employees to improve training in the area of emissions reduction and assist with implementation of specific programs. The training of DEXUS employees is an integral component of ensuring investment in emissions reduction activities is supported and further innovation is encouraged. To measure and assist the process DEXUS also runs an Annual Employee Survey with questions relating to sustainability, environment and risk forming part of the survey to drive engagement to CR&S and emissions reduction activities. During the FY12 period, DEXUS upgraded its employee objectives/KPIs to include CR&S for all employees.

### Further Information

Other methods that DEXUS uses to drive investment in emissions reduction activities include:

Compliance with regulatory requirements/standards: DEXUS participates and complies with the NGER Act, EEO and the Commercial Building Disclosure Legislation (BEED Act) -Dedicated budget for energy efficiency. As part of the DEXUS NABERS Energy Improvement Program, DEXUS invested \$31.1m to achieve the 4.5 star targeted outcome by 31 December 2012. DEXUS was on track to achieve this target at June 2012, with a rating of 3.9 stars. DEXUS exceeded this target and as at 31 December 2012, the weighted average NABERS Energy rating was 4.7 stars.

Dedicated budget for other emission reduction activities: Energy monitoring devices have been installed in the majority of buildings across the office portfolio, enabling measurement of current emissions and energy usage. The results are used to develop improvement plans for further reductions.

Other: DEXUS is committed to developments that drive emission reduction e.g. designing and building market leading Green Star properties both in the office and industrial sectors. In industrial, DEXUS continues to ensure all new developments in corporate ESD initiatives such as the inclusion of native landscaping which require minimal watering and water tanks to capture roof rainwater for landscape irrigation and plumbing purposes as well as investigating the validity of accessing warehouse roof spaces for solar power generation.

DEXUS works with the Green Building Council of Australia's Green Star Industrial Rating Tool (Version 1) and is committed to incorporating many of the requirements of the tool in new developments. DEXUS continues to present Green Star opportunities to all tenants it engages with on industrial new builds.

Other: Each year DEXUS allocates a budget for NABERS ratings across the office, industrial and retail portfolios is allocated. NABERS ratings enable building benchmarking and transparent reporting of building performance to investors. DEXUS's Strategic Improvement Plans (SIPs) demonstrate expected NABERS rating increases per project and the capex spend associated with the improvement. The improvement in NABERS ratings demonstrates value for money for investors through becoming more competitive and enhancing the potential tenant pool. DEXUS was the first property group to NABERS rate its entire internally managed retail portfolio in Australia. This further demonstrates commitment to improving the operational efficiency of its buildings for both tenants and investors as well as being compliant with the BEED Act.

## Communication

### 4.1 Have you published information about your company's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s)

Publication	Page/Section reference	Attach the document
In voluntary communications (complete)	16,18,27,31,33,39,41	<a href="http://dex2012.reportonline.com.au/sites/dex2012.reportonline.com.au/files/12100_dxs_annual_review_final_small.pdf">http://dex2012.reportonline.com.au/sites/dex2012.reportonline.com.au/files/12100_dxs_annual_review_final_small.pdf</a>
In voluntary communications (complete)	20-33	<a href="http://dex2012.reportonline.com.au/files/p_pack_combined.pdf">http://dex2012.reportonline.com.au/files/p_pack_combined.pdf</a>
In voluntary communications (complete)	1-9	<a href="http://crs.dex2012.com/upload/crs/20120723%20Public%20Disclosure%20Summary_FINAL_23%20July%2012%20_Version%206.pdf">http://crs.dex2012.com/upload/crs/20120723%20Public%20Disclosure%20Summary_FINAL_23%20July%2012%20_Version%206.pdf</a>
In voluntary communications (complete)	1-7	<a href="http://crs.dex2012.com/upload/crs/DEXUS%20carbon%20footprint%202012_2.pdf">http://crs.dex2012.com/upload/crs/DEXUS%20carbon%20footprint%202012_2.pdf</a>

Tweed City, 28-32 Minjungbal Drive, Tweed Heads, NSW



# RISKS AND OPPORTUNITIES - INVESTOR

## Module: Risks and Opportunities - Investor

### Climate change risks

#### 5.1 Have you identified any climate change risks (current or future) that have the potential to generate a substantive change in your business operations, revenue or expenditure?

Risks driven by changes in regulation

Risks driven by changes in physical climate parameters

Risks driven by changes in other climate-related developments

#### 5.1a Please describe your risks driven by changes in regulation

ID	Risk driver	Description	Potential impact	Timeframe	Direct/ Indirec	Likelihood	Magnitude of impact
B-01	Emission reporting obligations	Australian National Greenhouse Energy Reporting Act (NGER). Mandatory reporting of GHG emissions and energy usage across the DEXUS Australian portfolio. Data is required to be accurate to +/-5%	Other: There are significant risks, both financial and reputational, if DEXUS does not comply with or misrepresents the data. Guidance is provided for the reporting of data. There are operational costs in ensuring adherence to these guidelines, the collection and maintenance of the data, analysis and response to the trends in emissions usage and costs involved in the verification of the accuracy of the data.	Current	Direct	Virtually certain	Low-medium
B-02	Product efficiency regulations and standards	Australian Energy Efficiency Opportunities Act (EEO). As energy use exceeds 0.5 petajoules, DEXUS has triggered a requirement to commence reporting under this Act which requires a schedule per property of identified energy efficiency opportunities together with forecasts on impact	Other: There are significant risks both financial and reputational if DEXUS does not comply with or misrepresents the opportunities. Guidance is provided for the efficiency framework. There are operational costs in ensuring adherence to these guidelines, financial modelling of investment returns against emissions targets and the impact of the opportunity. Analysis of the effectiveness of capital expenditure and the realisation of each opportunity. There are also additional costs involved in compliance with the legislation and the accuracy of the data.	1-5 years	Direct	Virtually certain	Medium-high

ID	Risk driver	Description	Potential impact	Timeframe	Direct/ Indirec	Likelihood	Magnitude of impact
B-03	Product efficiency regulations and standards	Building Energy Efficiency Disclosure (BEED) 2010 Act. This Act came into force in 2010 and requires commercial building owners to disclose the energy efficiency of its building through a Building Energy Efficiency Certificate in the event of marketing the lease and/or sale of a space and/or building over a minimum 2,000 square metres. The provisions of the Act also require the energy efficiency rating (via NABERS ratings) to be displayed in printed, physical and online marketing materials.	Other: The legislation addresses non-compliance through monetary infringement notices of \$11,000 (under Section 11 of the Act) and a maximum court imposed penalty of \$110,000 for breaches of the Act (advertising the lease or sale of a commercial space without disclosure of a valid BEEC and NABERS rating). Note, as of 29 December 2012, this has been increased to \$17,000 per day and \$170,000 respectively. Other impacts include the additional costs of compliance through revising existing marketing material issued before the introduction of the legislation, inability to lease space or carry out our business without a rating and costs of applications for exemptions for properties that may fall outside normal ratings parameters.	1-5 years	Direct	Virtually certain	Medium-high

**5.1b Please describe (i) the potential financial implications of the risk before taking action; (ii) the methods you are using to manage this risk and (iii) the costs associated with these actions**

**B-01**

(i) Penalties are set for organisations that reach the reporting threshold but do not register. The legislation provides for a penalty of 2000 points which equates to around \$220,000 (as of December 29, 2012, this has increased to \$340,000 to reflect an increase of the unit cost from \$110 to \$170 per penalty point). On-going penalties accumulate for continual breach. On-going compliance and accuracy in reporting must be maintained to avoid further legal action. There is a provision for the auditing of data within the Act if determined appropriate by the authority.

(ii) DEXUS continues to manage specific resources to deliver the reporting requirements including the appointment of external consultants and internal analysts to manage the collection of and maintenance of emissions data. Working with an external service provider, systems have been set up to accurately record (including verification of) energy, gas and water consumption and calculate GHG emissions. Adherence to the protocols for the collection and record keeping of data is paramount to the compliance risk. External resources enter the data into the Government's database.

Smithfield Shopping Centre, Captain Cook & Kennedy Highways, Cairns, QLD



## RISKS AND OPPORTUNITIES - INVESTOR CONT'D

(iii) While further improvements to the system will be made in the coming year as reporting and analysis of trends increases, costs are in excess of \$200,000 per annum. This is made up of internal and external resources, upgrades to software that stores and reports data and annual licence fees.

### B-02

(i) Energy Efficiency Opportunities Act 2006 legislation can impose significant penalties for non-complying organisations that trigger the reporting requirement (use more than 0.5 PJ of energy per year). Prosecution for non-compliance however is considered a last resort option and would be initiated only in the most serious cases. The Act 2006 provides that penalties may be imposed if a corporation is found to be non-compliant by a Court. The Court may order a controlling corporation to pay the Australian Government a penalty of up to 1000 penalty units, which is currently a maximum fine of \$110,000 per offence.

(ii) DEXUS has prepared an Assessment and Reporting Schedule (ARS) and a review of all energy efficiency opportunities are undertaken by an external consultant annually to monitor compliance. DEXUS has already committed to planned strategic improvement plans across its office portfolio so the requirements of EEO have supplemented existing practices. The strategic improvement plans are managed on a portfolio basis by dedicated resources. Their work includes compiling, costing and implementing the plans for each property.

### Savings from specific EEO projects are quantified below

The base building improvement strategy at 309-321 Kent St Sydney as part of the EEO program included mechanical system upgrades, building management control system (BMCS) upgrades and lighting system upgrades, which is forecasted to reduce greenhouse gas emissions by more than 1,500 tonnes and is forecasted to save more than 5,600 GJ of energy.

The Zenith building (821 Pacific Highway, Chatswood), upgrades to mechanical systems, BMCS, lighting systems and installation of metering systems is anticipated to abate almost 1,900 tonnes of greenhouse gas emissions and save more than 6,900 GJ of energy. Additional costs include internal resource time (engineering resources), external advisory and financial modelling to measure and assess the impact of investment in the opportunities.

The provision of compliant improvement plans has also seen an increase in costs as well as the requirement for a public report. The initial set up costs and compliance was in excess of \$100,000 but ongoing additional costs of around \$40,000 are anticipated. Most costs include external verification and the cost of producing Government and Public reports as well an allocation of internal resources to manage the process.

### B-03

(i) The Building Energy Efficiency Disclosure Act 2010 (BEED Act) came into effect on 1 July 2010 and governs the obligations of commercial building owners that market the lease and/or sale of commercial offices to a minimum area threshold (2,000m<sup>2</sup>) in Australia.

The legislation also addresses non-compliance through monetary infringement notices of \$11,000 (under Section 11 of the Act) and a maximum court imposed penalty of \$110,000. Note, as of 29 December 2012, this has been increased to \$17,000 per day and \$170,000 respectively.

If DEXUS was unable to comply, costs (apart from penalties outlined) could include: Loss of rent from increased vacancy time until a NABERS rating is obtained; inability to transact on the sale of a building and the resulting cost to the organisation of delayed settlement; reputational damage if fined or legal action commenced by the Department of Climate Change and Energy Efficiency (DCCEE) as program administrator.

(ii) DEXUS committed to embedding the BEED Act into the business at its infancy and formed an internal task group to ensure compliance with all parts of the legislation. As a result, DEXUS maintains a program of continuous NABERS ratings and BEEC documentation to ensure it is compliant with the provisions of the legislation.

DEXUS uses the NABERS tool as a benchmark tool and had already rated all eligible properties annually before the impending legislation irrespective of leasing situations. DEXUS now continues to NABERS rate all properties and conducts Commercial Building Disclosure Lighting Assessments on each building and ensures buildings support BEECs.

(iii) As at June 2011, the quantitative impact of costs includes: Cost of changes to marketing collateral already in circulation (including leasing brochures, updating web sites and inclusion of additional material on existing sign boards where leasing activity existed); cost of NABERS assessments on properties that were unrated; cost of NABERS assessments brought forward for those properties where potentially expiries would occur around the time of commencement of legislation

Cost of applications for exemptions – three exemptions were sought. Costs resulting from the rating of some mixed use premises prior to definitive guidelines on office content were finalised. Legal costs associated with the interpretation of the Act Collectively these costs were approximately \$160,000.

### 5.1c Please describe your risks that are driven by change in physical climate parameters

ID	Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact
B-05	Tropical cyclones (hurricanes and typhoons)	DEXUS manages properties that are located in Far North Queensland, an area prone to regular cyclone activity. The potential for more regular/ extreme events could have a significant financial impact on business and disrupt property operations.	Other: Includes direct damage, costs to repair, increase to insurance premiums, costs to mitigate and adapt business interruption, social/employee disruption, local economic impacts, supply of goods and services.	Unknown	Direct	Very likely	High
B-06	Change in precipitation pattern	DEXUS invests in some areas that could be impacted by floods that could increase in impact if there are changes in precipitation. In Australia, investments occur along the eastern seaboard and highly populated areas, some of which are along main rivers and harbours. It may be likely that some properties will be impacted in the future.	Other: Impacts consideration for adaptation strategies and longer term investment decisions. As a result of floods, direct damage could be sustained to properties. Social and local economic factors could also impact the operations of the Group's office, industrial and retail businesses in these areas.	Unknown	Direct	About as likely as not	Medium

### 5.1d Please describe:

(i) the potential financial implications of the risk before taking action

(ii) the methods you are using to manage this risk

(iii) the costs associated with these actions

#### B-05

(i) The financial impacts of tropical cyclones are quantified through insurance excess, which, can range between \$10,000 and a maximum of 3% of the property's indemnity value, per event. Some insurance costs are recoverable through tenants.

(ii) As part of local building codes, additional building requirements are mandatory but in many cases when expanding retail centres additional adaptation initiatives may be implemented. DEXUS has an internal review process for identifying risks specific to properties and a checklist of standards that are to be met. In many cases these standards exceed the regulations. As one example, the storm water reticulation was upgraded at a development at Smithfield Shopping Centre to increase the size of pipes and syphonic drainage was installed to increase the water capacity in the event of extreme precipitation. Additionally, cyclone-proof steel car park shade sails were also installed.

(iii) In the example above the additional cost to go beyond the required building code was \$40,000 and an additional \$65,000 was spent to ensure the material was cyclone-proof. However, the potential savings in water damage to internal tenancies would be significant depending on the size and frequency of the event.

#### B-06

(i) The financial impacts of change in precipitation patterns are quantified through insurance excess, which is \$10,000 per event. Some insurance costs are recoverable through tenants.

(ii) DEXUS has finalised an Australian portfolio wide climate risk assessment that identifies the top 10 properties at risk. As a general note all climate change risks are being investigated as part of this scope and any risks identified will be prioritised for remedial action where feasible.

## RISKS AND OPPORTUNITIES - INVESTOR CONT'D

Mitigation and adaptation strategies will be determined when the risk is quantified. In most cases remedial action is seen as a medium term solution and will be included as part of life cycle or redevelopment capex. For example, risks and opportunities are being assessed at a Brisbane industrial property affected by the 2011 floods to relocate and improve meter reticulation and switchboards to prevent future exposures.

An affected commercial office tower in Brisbane has also been assessed and adapted to manage potential climate change physical risks by relocating plant from basement to tower level, relocation of switchboards.

(iii) Costs associated with mitigation and future adaptation will be determined on a property by property basis and timing of the works. Risks have been identified for the top 10 properties and plans to adapt are managed at a property level.

### 5.1e Please describe your risks that are driven by changes in other climate-related developments

ID	Risk driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact
B-07	Reputation	Reputational risk is of primary concern and the financial implications of not managing this risk can have a significant impact on the organisation, investors, customers, people and other key stakeholders in the wider community. Reputation is critical to attracting new capital and impacts DEXUS's ability to deliver investor returns and enable future growth.	Other: Increased operational cost, increased capital cost, reduction in capital availability, reduced stock price (market valuation), inability to do business	1-5 years	Direct	Very likely	High
B-08	Changing consumer behaviour	Changing consumer behaviour and tenant preference for energy efficient buildings could lead to a devaluation of the property portfolio if DEXUS fails to future-proof the portfolio to enhance energy efficiency. The public sector as well as a number of private sector industries have minimum NABERS ratings requirements and cannot occupy buildings that do not meet their requirements.	Reduced demand for goods/services	1-5 years	Direct	Very likely	High

### 5.1f Please describe (i) the potential financial implications of the risk before taking action; (ii) the methods you are using to manage this risk; (iii) the costs associated with these actions

#### B-07

(i) The financial impacts of reputational risk can be measured through the ability of attracting new capital and delivering required returns to investors to enable future growth; cheaper cost of capital and favourable share price performance.

(ii) Regulatory compliance, capital investment, carbon analysis and education of staff, investors and other stakeholders forms part of the way DEXUS undertakes its responsibilities regarding carbon management. DEXUS manages its reputation in this area through a commitment to a robust governance and management structure and a dedicated response to reporting requirements. DEXUS has been recognised globally as a leader by inclusion on various indices, as outlined in its 2012 Annual Review including DJSI, FTSE4Good Index and the Group's commitment to the CDP. DEXUS is a signatory to the UNPRI and has integrated these principles throughout the Group.

DEXUS draws on market expertise by engaging a specialist consultancy annually to assist with the formation and ongoing management of its Climate Change Risk Report, Climate Change Impact Property Register and Property Climate Change Action Plans.

(iii) Costs of maintaining reputation include resourcing across the Group, capital investment into properties, engagement of specialist consultancies to advise and assist in the operations from building design and delivery to reporting and software services to memberships and participation in various organisations to maintain knowledge and awareness of emerging trends. The exact cost cannot be quantified but is substantial based on the rigour that goes into measuring and managing climate related risks and carbon management. In addition, there are costs associated with this best practice approach to meeting high standards for transparency, verification and appropriate communication to stakeholders.

## B-08

(i) The direct financial implications of risk change in consumer behaviour can be measured by increased vacancy periods, lower passing rents and lower rental growth. Operating costs would also increase as energy usage remains inefficient. The other financial implication is the capital investment in the upgrade of the property (determined on a case basis to achieve the required energy rating). Financial costs through increased vacancy levels and lower rents could occur.

(ii) The primary drivers of energy reduction are the implementation of strategic improvement plans, working with engineers to assess the efficiency and potential upgrade of lighting air conditioning systems and Building Management systems and software.

DEXUS analyses the potential improvement of the property versus the cost of upgrades, the requirements of the tenant and value of the lease before commitment to expenditure.

(iii) The assessment of an individual property upgrade potential, implementation of the works, leasing discussions, rating costs for the property and compliance with legislative reporting requirements can exceed \$100,000. This excludes the cost of equipment and ongoing monitoring costs.

### Attachments

<http://www.cbd.gov.au/increase-to-maximum-penalties-under-the-cbd-program>

[http://dexus2012.reportonline.com.au/sites/dexus2012.reportonline.com.au/files/12100\\_dxs\\_annual\\_review\\_final\\_small.pdf](http://dexus2012.reportonline.com.au/sites/dexus2012.reportonline.com.au/files/12100_dxs_annual_review_final_small.pdf)

<http://crs.dexus.com/upload/crs/DEX10796%20EE0%20Public%20Report%202012.pdf>

## Climate change opportunities

### 6.1 Have you identified any climate change opportunities (current or future) that have the potential to generate a substantive change in your business operations, revenue or expenditure? Tick all that apply

Opportunities driven by changes in regulation

Opportunities driven by changes in physical climate parameters

Opportunities driven by changes in other climate-related developments

#### 6.1a Please describe your opportunities that are driven by changes in regulation

ID	Opportunity driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact
C-01	Voluntary agreements	Australian Green Building Fund. The Green Building Fund aims to reduce the impact of GHG emissions on Australia's built environment by providing grants to owners of existing commercial office buildings. The work undertaken as a result of providing the grant has and is expected to further reduce energy consumption in the operations of the building. The agreed energy reduction target is a condition of the grant. Opportunities for funding, earlier adoption of upgrades and reputational opportunities are the main drivers for the grants from DEXUS's perspective.	Reduced operational costs	1-5 years	Direct	Virtually certain	High
C-02	Emission reporting obligations	Australian National Greenhouse and Energy Reporting (NGER) Act. Mandatory reporting of GHG emissions and energy usage across the DEXUS Australian portfolio. Data is required to be accurate to +/- 5%. This reporting is used to measure the success of initiatives to reduce operating costs as well as ensuring accountability for the reductions.	Reduced operational costs	Current	Direct	Virtually certain	High

## RISKS AND OPPORTUNITIES - INVESTOR CONT'D

ID	Opportunity driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact
C-03	Product efficiency regulations and standards	Australian National Greenhouse and Energy Reporting (NGER) Act. DEXUS has triggered a requirement to commence reporting under this Act which requires a schedule per property of identified energy efficiency opportunities together with forecasts on impact and payback period resulting from investment in the opportunity. The reporting boundary is limited to 80% of the portfolio by total CO <sub>2</sub> -e emissions and is triggered when an organisation exceeds a total of 125kt CO <sub>2</sub> -e in any one year. This requirement mirrors DEXUS's internal established process of individual Strategic Improvement Plans for each property. DEXUS has submitted its second public report following on from the submission of the Assessment and Reporting Schedule in December 2011.	Reduced operational costs	1-5 years	Direct	Virtually certain	High

### 6.1b Please describe (i) the potential financial implications of the opportunity; (ii) the methods you are using to manage this opportunity and (iii) the costs associated with these actions

#### C-01

(i) Building on the Green Building Fund grants (approximately \$6m) awarded to DEXUS in 2010/2011, DEXUS has been able to implement building energy reduction initiatives. In the reporting period, DEXUS saw a significant reduction in energy consumption on an intensity basis for the Group (covering Australia and New Zealand) of 8.9%. Drivers of this lower energy consumption have been DEXUS's objective of achieving a 4.5 star NABERS Energy portfolio average by December 2012 as well as active management of properties to improve resource efficiency. It also supports energy efficiency programs in the retail portfolio. Savings in operational costs will benefit both DEXUS and its tenants through reduced operating expenses and reduced outgoing costs.

(ii) The management of the grant expenditure is controlled by Government representatives through physical inspection, submission of progress reports and nominated draw down of funds based on achieving certain agreed milestones. The projects are managed internally through dedicated personnel administering contracts relevant to the specific projects. Savings are generated from projects such as upgrading existing HVAC systems including upgrading Building Management Control Systems, installation of high efficiency low load chillers in some cases and modifications to the water distribution systems incorporating variable speed drives and high efficiency motors. Also involved are upgrades to base building lighting and installation of new energy metering and management software. More efficient systems will result in better energy monitoring processes and savings in hours spent identifying issues. Without this funding some of these projects would not have been financially viable and would not have proceeded. In some cases, where the business case supported it, expenditure was brought forward. In other cases, the funding provided the opportunity to consider innovative solutions that otherwise may not have been viable. The upgrades supported by the funding have been included in the NABERS Energy Improvement Program. The majority of works for last year's grants have now been completed and reports are being prepared for the Government.

(iii) The administration of the project is handled by dedicated resources that specifically address the upgrades to existing buildings and include the management of the green building funding as part of their scope. Total upgrades across the office portfolio, including the grants, amount to a commitment of \$31.1m. The program was completed in December 2012. The weighted average NABERS Energy rating as at 31 December 2012 was 4.7 stars. Commitment in the retail portfolio, including grants, exceeds \$4m.

#### C-02

(i) The reporting of all carbon and greenhouse gas emissions across the portfolio to comply with the National Greenhouse and Energy Reporting (NGER) Act has provided DEXUS with the opportunity to more critically examine reporting structures, better measure trends and set up more efficient systems to track consumption. DEXUS has years of assured emissions and water data. During the period, DEXUS also had an additional assurance report in accordance with the NGER Audit Determination completed by its assurers. Historical improvements to its reporting framework have ensured this obligation can be met efficiently with current resources. DEXUS is held accountable for emissions through legislation and a commitment to transparent reporting and continually looks to improve the efficiency of reporting structures and accuracy of information, leading to reductions in emissions and ultimately lower operating costs across the

properties and the business. Risk of non-compliance with NGERs include fines of up to \$220,000 (2,000 penalty units) and daily fines of \$11,000 (100 penalty units) for each day (as of December 29, 2012, this has increased to \$340,000 to reflect an increase of the unit cost from \$110 to \$170 per penalty point).

(ii) A streamlined approach to resource consumption and collection of data has resulted from the engagement of a specialist consultant to manage reporting and data management. All invoices are sent electronically to a central point and provided to the outsourced supplier for collation. Missing data is identified and routinely followed up. This data is stored in a suitable format to allow easy upload to the Government reporting framework and the information can also be easily verified to meet acceptable tolerance levels.

(iii) The cost of compliance is not considered material and is included in overall data management and reporting software upgrades for internal use. Improvements to the reporting framework have ensured this obligation can be met efficiently with current resources. Risk of non-compliance with NGERs include fines of up to \$220,000 (2,000 penalty units) and daily fines of \$11,000 (100 penalty units) for each day (as of December 29, 2012, this has increased to \$340,000 to reflect an increase of the unit cost from \$110 to \$170 per penalty point).

### **C-03**

(i) The adherence to the EEO legislation does not put any significant additional financial obligations on DEXUS ability to deliver the opportunities as these costs have already been identified within the strategic improvement plans and accounted for in capital cost forecasts over the next five years. DEXUS benefits from savings in energy and water costs through the building upgrades. DEXUS is operating within the second year of the 5-year reporting cycle and well placed for future reporting.

Savings from projects completed under EEO can be summarised as follows:

- The base building improvement strategy at 309-321 Kent St Sydney as part of the EEO program included mechanical system upgrades, building management control system (BMCS) upgrades and lighting system upgrades, which is forecasted to reduce greenhouse gas emissions by more than 1,500 tonnes and is forecasted to save more than 5,600 GJ of energy.
- The Zenith building (821 Pacific Highway, Chatswood), upgrades to mechanical systems, BMCS, lighting systems and installation of metering systems is anticipated to abate almost 1,900 tonnes of greenhouse gas emissions and save more than 6,900 GJ of energy.

Risk of non-compliance with EEO at a corporate level exceeds up to 1000 penalty units equivalent to a maximum fine of \$110,000 per offence.

(ii) Management of the program has been assigned to an external service provider who works with internal resources to track all opportunities. Internal resources review the submission and ensure that it is in line with the established strategic improvement plan process. Each property team undertakes a review of its plan quarterly.

(iii) The cost of compliance for the Assessment Reporting Schedule and ongoing reporting obligations are likely to not exceed \$40,000 per annum and will include preparation, review, tracking and external verification of the identified opportunities within the submission.



# RISKS AND OPPORTUNITIES - INVESTOR CONT'D

## 6.1c Please describe the opportunities that are driven by changes in physical climate parameters

ID	Opportunity driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact
C-04	Change in precipitation extremes and droughts	DEXUS has retail properties that are located in Far North Queensland, an area prone to regular cyclone activity. Risk assessments have identified opportunities for resilience and property adaptation through further development of the property. This will enhance the long term value and potential returns from the property.	Other: Includes direct damage, costs of repair, increase to insurance premiums, costs to mitigate and adapt business interruption, social disruption, local economic impacts, supply of goods and services.	Unknown	Direct	Very likely	High
C-05	Change in precipitation extremes and droughts	DEXUS invests in areas that could be impacted by storm surges and floods that could increase in impact if there changes in precipitation extremes. Opportunities to respond to these events through adaptation strategies will be developed in these areas that will enhance the stability and resilience of the property.	Other: Impacts consideration for adaptation strategies and longer term investment decisions. As a result of storm surges along tidal flows, direct damage could be sustained to the property. Social and local economic factors could impact the operations of the Group's office, industrial and retail businesses in these areas.	Unknown	Direct	About as likely as not	High
C-06	Other physical climate opportunities	Physical Climate Change risk assessments were completed for all Australian and New Zealand properties and action plans in place for the top "10 properties".	Other: Risk profiles have been developed and opportunities identified for adaptation and property value protection.	1-5 years	Direct	Very likely	Unknown

## 6.1d Please describe (i) the potential financial implications of the opportunity, (ii) the methods you are using to manage this opportunity and (iii) the costs associated with these actions

### C-04

(i) Greater rigour and compliance with new building codes will be required to assess opportunities for greater resilience and innovation in design of any extensions/redevelopments of properties in areas affected by change in precipitation extremes and droughts. Costs associated with implementation of design solutions may vary and will often have a payback period measured in energy and resource efficiency or in mitigation of risk associated with extreme events. The financial implication is enhancing long term value and returns through superior design, energy efficiency and subsequent mitigation of risk. The premium in returns will vary, however, according to research by the University of Western Sydney, Australia and the University of Maastricht, Netherlands in conjunction with Jones Lang LaSalle and CBRE 'Building Better Returns', a green premium in value for office buildings was evident for the NABERS energy rating. This saw the 5 star NABERS energy rating delivering a 9% green premium in value and the 3-4.5 star NABERS energy ratings delivering a 2-3% green premium in value.

(ii) As a market leader DEXUS employs consultants with a strong reputation in their fields and require consultants to have proven track record in property. DEXUS engages specialists only after a thorough tender process to identify a consultant team that can provide innovative and best practice solutions. DEXUS consults with various authorities, project managers and advisory groups to ensure developments, retrofits and new builds respond to expected climate change impacts and maximise energy efficiency opportunities to reduce greenhouse emissions. DEXUS maximises the use of Green Star in Australia for developments and ensures all eligible properties are rated under NABERS Energy and Water and have targets to improve. DEXUS communicates building performance to potential tenants to raise awareness and confirm its commitment to leading practises and operations.

(iii) As a stringent design and evaluation process already exists across property developments and retrofits there is negligible additional financial impact for evaluation of the opportunity but the scope for climate change assessment continues to be expanded for each project. Climate change impacts are factored in to the investment decision making through the Sustainable Investment Guidelines and risks are identified prior to the finalisation of design briefs. This identifies and minimises additional costs very early in the project.

**C-05**

(i) The risk of change in precipitation extremes and droughts and the associated costs of storm surges along tidal flows that bring flooding risk and immediate damage to the property. There is an opportunity to ensure any future development occurs on elevated land, this will secure the future value and stable investment returns from the property. Mapping demonstrates that DEXUS is not likely to suffer direct impacts of sea level rise.

(ii) DEXUS is regularly kept abreast of any legislative changes or draft reviews that concern rezoning of coastal areas, revised planning and development conditions as well as building code changes brought about by changes in precipitation extremes/drought. Any changes are assessed as part of the internal risk assessment and investment analysis through government advocacy and engagement.

(iii) Costs associated with mitigation and future adaptation are yet to be determined.

**C-06**

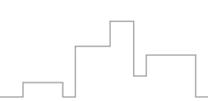
(i) Climate risk assessments for DEXUS’s Australian portfolio assess the impact of the properties’ geographic location as well as an assessment on current design and building materials.

(ii) The scope is to assess risk to the property in relation to predicted changes in physical climate over the next 10, 20 and 50 years, key timelines include 2030 and beyond. The model considers potential impacts to 2070. Revised data from government agencies, as it is being released, is being used to factor in risk. DEXUS will continue to update its reports, registers and action plans annually to reflect updates in data available and any changes to its portfolio (acquisitions and disposals).

(iii) This will provide us with the opportunity to prioritise capital investment in retrofits, redevelopment or extension to existing properties. Property valuation, resilience, attractiveness to lessees, reduced vacancy levels and portfolio reputation will be protected by this opportunity. Final costs associated with any adaptation are yet to be finalised and will be confirmed on completion of the assessment and perceived risk.

**6.1e Please describe the opportunities that are driven by changes in other climate-related developments**

ID	Opportunity driver	Description	Potential impact	Timeframe	Direct/ Indirect	Likelihood	Magnitude of impact
C-07	Reputation	DEXUS is currently a leader in CR&S and with this comes an expectation that DEXUS will continue to deliver superior returns, implement carbon reduction strategies and behave in an ethical and responsible manner to its stakeholders and reduce the impact of its operations on the environment in which it operates.	Other: All of the above. Primarily it drives DXS stock price and leads to increased investment and availability of new capital to enable DEXUS to deliver top quartile returns.	Current	Direct	More likely than not	High
C-08	Changing consumer behaviour	Government and some private sector tenants are now requiring a minimum level of energy efficiency in their office tenancies. In order to maintain occupancy levels, continual upgrades and innovation in buildings is required to maintain efficiency levels. NABERS Energy ratings of 4 star and above are increasingly being sought by government and corporate tenants.	Other: Many of the above are drivers including new products to increase competitiveness, premium price opportunities to maximise rental return and reduced operational costs to DEXUS and its tenants.	Current	Direct	Virtually certain	High



## RISKS AND OPPORTUNITIES - INVESTOR CONT'D

### 6.1f Please describe (i) the potential financial implications of the opportunity; (ii) the methods you are using to manage this opportunity; (iii) the costs associated with these actions

#### C-07

(i) The opportunity for managing reputation also is attracting new capital and delivering required returns to investors to enable future growth; cheaper cost of capital and favourable share price performance.

(ii) Regulatory compliance, capital investment, carbon analysis and education of the organisation's staff, investors and other stakeholders forms part of the way DEXUS undertakes its responsibilities regarding carbon management. DEXUS manages its reputation in this area through a commitment to a robust governance and management structure and a dedicated response to reporting requirements. DEXUS has been recognised globally as a leader by inclusion on various indices, as outlined in its CR&S report including DJSI, FTSE4Good Index and commitment to the CDP. DEXUS is a signatory to the UNPRI and have integrated these principles throughout the organisation. DEXUS draws on market expertise by engaging a specialist consultancy annually to assist with the formation and ongoing management of the Climate Change Risk Report, Climate Change Impact Property Register and Property Climate Change Action Plans.

(iii) Costs of maintaining company reputation include resourcing across the organisation, capital investment into properties (an investment of \$31.1m was invested across our listed office portfolio), engagement of specialist consultancies to advise and assist operations from building design and delivery to reporting and software services to memberships and participation in various organisations to maintain knowledge and awareness of emerging trends. In addition, there are costs associated with the organisation's best practice approach to meeting high standards for transparency, verification and appropriate communication to stakeholders.

#### C-08

(i) The direct financial implications of the opportunity can be measured by the capital investment in the upgrade of the property (determined on a case basis to achieve the target energy rating). If the opportunity of creating a more efficient and sustainable property is not implemented then financial costs through increased vacancy levels and lower rents could occur. Operating costs would also increase as energy usage remains inefficient.

(ii) As described earlier the primary drivers of energy reduction are the implementation of strategic improvement plans, working with engineers to assess the efficiency and potential upgrade of lighting air conditioning systems and Building Management systems and software. DEXUS analyses the potential improvement of the property versus the cost of upgrades, the requirements of the tenant and value of the lease before commitment to expenditure.

(iii) The assessment of an individual property upgrade potential, implementation of the works, leasing discussions, rating costs for the property and compliance with legislative reporting requirements can exceed \$100,000. This excludes the cost of equipment and ongoing monitoring costs.

#### Attachments

[http://dexus2012.reportonline.com.au/files/p\\_pack\\_combined.pdf](http://dexus2012.reportonline.com.au/files/p_pack_combined.pdf)

<http://crs.dexus.com/upload/crs/DEX10796%20EEO%20Public%20Report%202012.pdf>

# GHG EMISSIONS ACCOUNTING, ENERGY AND FUEL USE AND TRADING - INVESTOR

## Module: GHG Emissions Accounting, Energy and Fuel Use, and Trading -Investor

### Emissions Methodology

#### 7.1 Please provide your base year and base year emissions (Scopes 1 and 2)

Base year	Scope 1 Base year emissions (metric tonnes CO <sub>2</sub> e)	Scope 2 Base year emissions (metric tonnes CO <sub>2</sub> e)
Sun 01 Jul 2007 - Mon 30 Jun 2008	6,026	145,259

#### 7.2 Please give the name of the standard, protocol or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions

Please select the published methodologies that you use
Australia - National Greenhouse and Energy Reporting Act
New Zealand - Guidance for Voluntary, Corporate Greenhouse Gas Reporting
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

#### 7.2a If you have selected 'Other', please provide details below

#### 7.3 Please give the source for the global warming potentials you have used

Gas	Reference
CO <sub>2</sub>	IPCC Fourth Assessment Report (AR4 - 100 year)
CH <sub>4</sub>	IPCC Fourth Assessment Report (AR4 - 100 year)
N <sub>2</sub> O	IPCC Fourth Assessment Report (AR4 - 100 year)

#### 7.4 Please give the emissions factors you have applied and their origin; alternatively, please attach an Excel spreadsheet with this data

Fuel/Material/Energy	Emission Factor	Unit	Reference
Other: Purchased Electricity- NSW	0.89	Other: KgCO <sub>2</sub> -e/kWh	NGA Factors, July 11
Other: Purchased Electricity- VIC	1.21	Other: KgCO <sub>2</sub> -e/kWh	NGA Factors, July 11
Other: Purchased Electricity- WA	0.8	Other: KgCO <sub>2</sub> -e/kWh	NGA Factors, July 11
Other: Purchased Electricity- QLD	0.88	Other: KgCO <sub>2</sub> -e/kWh	NGA Factors, July 11
Other: Purchased Electricity- SA	0.68	Other: KgCO <sub>2</sub> -e/kWh	NGA Factors, July 11
Other: Purchased Electricity- TAS	0.30	Other: KgCO <sub>2</sub> -e/kWh	NGA Factors, July 11
Other: Natural Gas- Australia	51.33	Other: KgCO <sub>2</sub> -e/GJ	NGA Factors, July 11
Other: Purchased Electricity- NZ	0.159	Other: KgCO <sub>2</sub> -e/kWh	Guidance for voluntary, corporate greenhouse gas reporting, New Zealand Government
Other: Natural Gas- NZ	53.8	Other: KgCO <sub>2</sub> -e/GJ	Guidance for voluntary, corporate greenhouse gas reporting, New Zealand Government

### Attachments

[http://dexus2012.reportonline.com.au/files/p\\_pack\\_combined.pdf](http://dexus2012.reportonline.com.au/files/p_pack_combined.pdf)

# GHG EMISSIONS ACCOUNTING, ENERGY AND FUEL USE AND TRADING - INVESTOR CONT'D

## Emissions data

### 8.1 Please select the boundary you are using for your Scope 1 and 2 greenhouse gas inventory

Operational control

### 8.2 Please provide your gross global Scope 1 emissions figures in metric tonnes CO<sub>2</sub>e

4,450

### 8.3 Please provide your gross global Scope 2 emissions figures in metric tonnes CO<sub>2</sub>e

107,123

### 8.4 Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions which are not included in your disclosure?

No

### 8.5 Please estimate the level of uncertainty of the total gross global Scope 1 and 2 emissions figures that you have supplied and specify the sources of uncertainty in your data gathering, handling and calculations

Scope 1 emissions: Uncertainty range	Scope 1 emissions: Main sources of uncertainty	Scope 1 emissions: Please expand on the uncertainty in your data	Scope 2 emissions: Uncertainty range	Scope 2 emissions: Main sources of uncertainty	Scope 2 emissions: Please expand on the uncertainty in your data
More than 2% but less than or equal to 5%	Extrapolation	The Australian and New Zealand FY12 data received 'limited assurance' and is derived directly from invoices collated and entered into a resource consumption database stored by DEXUS and by a third party. DEXUS has confirmed that its Australian and New Zealand data is within the uncertainty range of less than or equal to 2%. Where an invoice was not received at the time of reporting, the metered data was entered in place of the monthly consumption figure. Where metered data was not available either, an estimate was applied following the limited assurance criteria and Resource Consumption Methodology. The US has been excluded from environmental reporting given the sale of a substantial part of the portfolio as detailed in the 2012 Annual Review and with the reclassification of the remaining portfolio as non-core and subsequent sale of the remaining portfolio.	More than 2% but less than or equal to 5%	Extrapolation	The Australian and New Zealand FY12 data received 'limited assurance' and is derived directly from invoices collated and entered into a resource consumption database stored by DEXUS and by a third party. DEXUS has confirmed that its Australian and New Zealand data is within the uncertainty range of less than or equal to 2%. Where an invoice was not received at the time of reporting, the metered data was entered in place of the monthly consumption figure. Where metered data was also not available, an estimate was applied following the limited assurance criteria and Resource Consumption Methodology. The US has been excluded from environmental reporting given the sale of a substantial part of the portfolio, as detailed in the 2012 Annual Review, and with the reclassification of the remaining portfolio as non-core and subsequent sale of the remaining portfolio.

### 8.6 Please indicate the verification/assurance status that applies to your Scope 1 emissions

Third party verification or assurance complete

**8.6a Please indicate the proportion of your Scope 1 emissions that are verified/assured**

More than 90% but less than or equal to 100%

**8.6b Please provide further details of the verification/assurance undertaken, and attach the relevant statements**

Type of verification or assurance	Relevant standard	Attach the document
Limited assurance	Other: DEXUS's assurance engagement was in accordance with the Australian Standard on Assurance Engagements ASAE 3000 Assurance Engagements other than Audits and Reviews of Historical Financial Information issued by the Australian Auditing and Assurance Standards Board.	<a href="http://crs.dexus.com/upload/crs/Dexus%20Assurance%20report%202012%20-%20signed_1.pdf">http://crs.dexus.com/upload/crs/Dexus%20Assurance%20report%202012%20-%20signed_1.pdf</a>

**8.7 Please indicate the verification/assurance status that applies to your Scope 2 emissions**

Third party verification or assurance complete

**8.7a Please indicate the proportion of your Scope 2 emissions that are verified/assured**

More than 90% but less than or equal to 100%

**8.7b Please provide further details of the verification/assurance undertaken, and attach the relevant statements**

Type of verification or assurance	Relevant standard	Attach the document
Limited assurance	Other: DEXUS's assurance engagement was in accordance with the Australian Standard on Assurance Engagements ASAE 3000 Assurance Engagements other than Audits and Reviews of Historical Financial Information issued by the Australian Auditing and Assurance Standards Board.	<a href="http://crs.dexus.com/upload/crs/Dexus%20Assurance%20report%202012%20-%20signed_1.pdf">http://crs.dexus.com/upload/crs/Dexus%20Assurance%20report%202012%20-%20signed_1.pdf</a>

**8.8 Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?**

No

**Scope 1 Emissions breakdown**

**9.1 Do you have Scope 1 emissions sources in more than one country?**

Yes

**9.1a Please complete the table below**

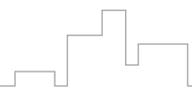
Country/Region	Scope 1 metric tonnes CO <sub>2</sub> e
Australia	4,446.13
New Zealand	4.02

**9.2 Please indicate which other Scope 1 emissions breakdowns you are able to provide (tick all that apply)**

**Scope 2 Emissions breakdown**

**10.1 Do you have Scope 2 emissions sources in more than one country?**

Yes



# GHG EMISSIONS ACCOUNTING, ENERGY AND FUEL USE AND TRADING - INVESTOR CONT'D

## 10.1a Please complete the table below

Country/Region	Scope 2 metric tonnes CO <sub>2</sub> e	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low carbon electricity, heat, steam or cooling (MWh)
Australia	106,735.93	113,199.99	13,000
New Zealand	387.29	2,435.76	0

## 10.2 Please indicate which other Scope 2 emissions breakdowns you are able to provide (tick all that apply)

### Energy

#### 11.1 What percentage of your total operational spend in the reporting year was on energy?

More than 10% but less than or equal to 15%

#### 11.2 Please state how much fuel, electricity, heat, steam, and cooling in MWh your organization has purchased and consumed during the reporting year

Energy type	MWh
Fuel	24,081.47
Electricity	115,635.75
Heat	0
Steam	0
Cooling	0

#### 11.3 Please complete the table by breaking down the total 'Fuel' figure entered above by fuel type

Fuels	MWh
Diesel/Gas oil	24081.47

#### 11.4 Please provide details of the electricity, heat, steam or cooling amounts that were accounted at a low carbon emission factor

Basis for applying a low carbon emission factor	MWh associated with low carbon electricity, heat, steam or cooling	Comments
Other	13,000	DEXUS pre-commits to purchasing a quantity of GreenPower (for the FY12 reporting period, this was 13,000 MWh) that offsets a percentage of electricity used in buildings that have been sourced from carbon intensive sources (such as electricity sourced from coal-fired power stations). The quantity of GreenPower is sourced from production from wind farms in Australia and is government accredited (being a joint initiative of the ACT, NSW, SA, QLD and VIC Governments in Australia).

### Emissions performance

#### 12.1 How do your absolute emissions (Scope 1 and 2 combined) for the reporting year compare to the previous year?

Decreased

### 12.1a Please complete the table

Reason	Emissions value (%)	Direction of change	Comment
Emissions reduction activities	13	Decrease	During the reporting period, DEXUS achieved a 12% reduction in absolute emissions (scope 1 and 2 combined) from FY11 and 26% overall when compared to the baseline year of FY08. The data shows that GHG emissions on an intensity basis for the DEXUS Australia and New Zealand portfolio reduced by 6.8%, Energy on an intensity basis (MJ/sqm) reduced by 8.9% during the 12 month period indicating improved efficiency on an intensity basis. Emissions have decreased across DEXUS operations primarily due to a number of integrated, targeted emissions reduction activities. These include the NABERS Energy Improvement Program which included major plant replacements and upgrades, DEXUS's resource consumption reduction targets, the installation of sub and smart meters, retail centre building upgrades and plant replacements, increased training for onsite Building Services Managers to ensure optimal building performance and best practice building management and engineering.
Divestment	7	Decrease	During the FY12 reporting period, DEXUS divested several properties and no longer had operational control of a portfolio of third party funds, therefore consumption data or emissions from these assets was not reported as it was no longer under operational control. This contributed to a 7% reduction in emissions reported.
Acquisitions	8	Increase	During the FY12 reporting period, DEXUS acquired properties that it also had operational control over. As a result of additional properties being included as new sources of GHG emissions there was an increase of 8% in emissions reported.
Mergers			
Change in output			
Change in methodology			
Change in boundary			
Change in physical operating conditions			
Unidentified			
Other			

### 12.2 Please describe your gross combined Scope 1 and 2 emissions for the reporting year in metric tonnes CO<sub>2</sub>e per unit currency total revenue

Intensity figure	Metric numerator	Metric denominator	% change from previous year	Direction of change from previous year	Reason for change
0.18	metric tonnes CO <sub>2</sub> e	unit total revenue	12.6	Decrease	In the previous year, DEXUS's reported 0.20 metric tonnes of CO <sub>2</sub> e per unit of total revenue \$'000. DEXUS reduced total Scope 1 and Scope 2 GHG emissions by 16.1% from the previous year and reduced emissions per unit of total revenue from the previous year by 12.6%. In FY11, the intensity figure included emissions and revenue from the Group's US operations, in FY12 this has been excluded due to divestment and reclassification of the remaining portfolio to non-core. Emissions have decreased across DEXUS operations primarily due to a number of integrated, targeted emissions reduction activities including the NABERS Energy Improvement Program, which included major plant replacements and upgrades, DEXUS's resource consumption reduction program, the installation of sub and smart meters, retail centre building upgrades and plant replacements, increased training for onsite Building Services Managers who ensure the buildings are performing to their optimum, and good management and engineering practice.

# GHG EMISSIONS ACCOUNTING, ENERGY AND FUEL USE AND TRADING - INVESTOR CONT'D

## 12.3 Please describe your gross combined Scope 1 and 2 emissions for the reporting year in metric tonnes CO<sub>2</sub>e per full time equivalent (FTE) employee

Intensity figure	Metric numerator	Metric denominator	% change from previous year	Direction of change from previous year	Reason for change
458	metric tonnes CO <sub>2</sub> e	FTE employee	0.2	Decrease	In the previous year, DEXUS's emissions were 459 tonnes of CO <sub>2</sub> e/FTE. DEXUS reduced total Scope 1 and Scope 2 GHG emissions by 16.1% from the previous year and reduced emissions per FTE from the previous year by 0.2%. In FY11, the intensity figure included emissions and FTE employees from the Group's US operations, in FY12 this has been excluded due to divestment and reclassification of the remaining portfolio to non-core. Emissions have decreased across DEXUS operations primarily due to a number of integrated, targeted emissions reduction activities including the NABERS Energy Improvement Program, which included major plant replacements and upgrades, DEXUS's resource consumption reduction program, the installation of sub and smart meters, retail centre building upgrades and plant replacements, increased training for onsite Building Services Managers who ensure the buildings are performing to their optimum, and good management and engineering practice.

## 12.4 Please provide an additional intensity (normalized) metric that is appropriate to your business operations

Intensity figure	Metric numerator	Metric denominator	% change from previous year	Direction of change from previous year	Reason for change
0.049	metric tonnes CO <sub>2</sub> e	square meter	6.8	Decrease	DEXUS reports resource consumption both as absolute emissions and on an intensity metrics basis. The metric 0.049 represents GHG emissions per/sqm across the Group's Australian and New Zealand portfolio. The intensity metric in FY11 was 0.052 tonnes/CO <sub>2</sub> e per sqm and was also across the Australian and New Zealand portfolio. Emissions have decreased by 6.8% across DEXUS operations primarily due to a number of integrated, targeted emissions reduction activities including the NABERS Energy Improvement Program, which included major plant replacements and upgrades, DEXUS's resource consumption reduction program, the installation of sub and smart meters, retail centre building upgrades and plant replacements, increased training for onsite Building Services Managers to ensure optimal building performance and best practice building management and engineering.

## Emissions trading

### 13.1 Do you participate in any emissions trading schemes?

No, and we do not currently anticipate doing so in the next two years

### 13.2 Has your company originated any project-based carbon credits or purchased any within the reporting period?

Yes

### 13.2a Please complete the table

Credit origination or credit purchase	Project type	Project identification	Verified to which standard	Number of credits (metric tonnes of CO <sub>2</sub> e)	Number of credits (metric tonnes CO <sub>2</sub> e): Risk adjusted volume	Credits retired	Purpose, e.g. compliance
Credit Purchase	Hydro	Grouped Hydropower Plants in Chongqing, Yunnan, Sichuan and Guizhou Provinces, P.R. China.	Other: Voluntary Carbon Unit (VCU)	1,000	0	Yes	Voluntary Offsetting
Credit Purchase	Other: Biogas production from wastewater	Wastewater Treatment with Biogas production (UASB) and heat utilization at General Starch Co Ltd.	Other: Voluntary Carbon Unit (VCU)	300	0	Yes	Voluntary Offsetting
Credit Purchase	Energy efficiency: own generation	BHL Biogas and Bagasse based cogeneration project activity at Kinauni	Other: Voluntary Carbon Unit (VCU)	1000	0	Yes	Voluntary Offsetting

## Scope 3 Emissions

### 14.1 Please account for your organization's Scope 3 emissions, disclosing and explaining any exclusions

Sources of Scope 3 emissions	Evaluation status	Metric tonnes CO <sub>2</sub> e	Methodology	Percentage of emissions calculated using primary data	Explanation
Purchased goods and services	Relevant, calculated	6	Other indirect emissions from paper procured at DEXUS's head office (tCO <sub>2</sub> -e) = total weight of paper purchased (kg) x emissions factor (kgCO <sub>2</sub> /t)/1000.  Factor: Emission Factor= kg x 1.08.  Source: EPA Paper note, dated May 2011.		
Capital goods	Not relevant, explanation provided				As defined by GHG Protocol, Capital goods are defined as manufacturing/ construction of capital equipment owned or controlled by the reporting company. DEXUS invests directly in Australian office and industrial properties and also manages office, industrial and retail properties on behalf of third party capital partners. The organisation does not have capital goods that are material in nature and therefore not relevant. DEXUS has calculated and included Scope 3 emissions impacted by its operations. These were determined based on the criteria listed for Scope 3 emissions in the GHG Protocol and based on the NCOS Standard.

# GHG EMISSIONS ACCOUNTING, ENERGY AND FUEL USE AND TRADING - INVESTOR CONT'D

Sources of Scope 3 emissions	Evaluation status	Metric tonnes CO <sub>2</sub> e	Methodology	Percentage of emissions calculated using primary data	Explanation
Fuel-and-energy-related activities (not included in Scope 1 or 2)	Relevant, calculated	158	<p>Indirect emissions from refrigerants at DEXUS's head office and base building (tCO<sub>2</sub>-e) = (DEXUS's share of total base building equipment charge (kg)) x leakage factor (%) x global warming potential of refrigerant gas.</p> <p>Factor: Commercial air conditioning: leakage rate 9%, Global Warming Potential (GWP): 1,725.</p> <p>Source: Leakage rates National Greenhouse Accounts (NGA) Factors, Table 24, page 47; Greenhouse Warming Potential – IPCC 2nd Assessment Report.</p> <p>Energy indirect emissions from transmission and distribution losses associated with purchased electricity (tenancy and base building) at DEXUS head office (tCO<sub>2</sub>-e) = (annual total electricity consumption (kWh)-% of purchased renewable energy) x scope 3 emissions factor (kgCO<sub>2</sub>-e/kWh)/1000.</p> <p>Factor: Scope 3 Emission factor = 0.17 (kg CO<sub>2</sub>-e/kWh).</p> <p>Source: Energy indirect: National Greenhouse Accounts (NGA) Factors, Table 39, page 67.</p>		
Upstream transportation and distribution	Not relevant, explanation provided				DEXUS invests directly in Australian office and industrial properties and also manages office, industrial and retail properties on behalf of third party capital partners. DEXUS has assessed the materiality of transportation and distribution associated with purchased goods and services and determined that it is not relevant. DEXUS has calculated and included Scope 3 emissions impacted by its operations. These were determined based on the criteria listed for Scope 3 emissions in the GHG Protocol and based on the NCOS Standard.
Waste generated in operations	Relevant, calculated	4	<p>Other indirect emissions from waste to land fill at DEXUS's head office.(tCO<sub>2</sub>-e) = total weight of waste to landfill (tonnes) x emissions factor (tCO<sub>2</sub>/t).</p> <p>Factor: Emission Factor = t x 1.1.</p> <p>Source: Other indirect: National Greenhouse Accounts (NGA) Factors, Table 42, page 72. Waste volume to weight conversion factor (t/m3): WRAPP reporting guidelines (co-mingled containers), page 28.</p>		

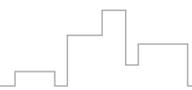
Sources of Scope 3 emissions	Evaluation status	Metric tonnes CO <sub>2</sub> e	Methodology	Percentage of emissions calculated using primary data	Explanation
Business travel	Relevant, calculated	1,373	<p>Other indirect emissions from air travel for all national employees (tCO<sub>2</sub>-e)=((total SHF km travelled x km uplift factor x SHF emissions factor)+ (total MHF km travelled x km uplift factor x MHF emissions factor) + (total LHF km travelled x km uplift factor x LHF emissions factor)) x RFI multiplier.</p> <p>Factor: Short haul 0.20515; Medium haul 0.11600; Long haul 0.13535; km uplift factor 9%; Radioactive Forcing Index (RFI) 1.9.</p> <p>Source: 2010 Guidelines to Defra/DECC's GHG Conversion Factors for Company Reporting: Methodology Paper for Emission Factors.</p> <p>Other indirect emissions from taxi travel for all national employees (tCO<sub>2</sub>-e)= total kL fuel consumed x energy content factor (GJ/kL) x(scope 1 + scope 3) emissions factor (tCO<sub>2</sub>/kL).</p> <p>Factor: Fuel combustion emission factor Liquefied petroleum gas (LPG). Energy content factor (GJ/kL) 26.2, Emission factor (CO<sub>2</sub>: 59.6, CH<sub>4</sub>: 0.6, N<sub>2</sub>O:0.6); Scope 3 emissions factor =5.0.</p> <p>Source: National Greenhouse Accounts (NGA) factors Table 4, page 18 Fuel combustion emission factors (Transport Fuels) Table 38, page 66:</p> <p>Scope 3 emission factors-liquid fuels and certain petroleum based products. Other indirect emissions from car mileage for all national employees (tCO<sub>2</sub>-e)= total kL fuel consumed x (scope 1+ scope 3) emissions factor (tCO<sub>2</sub>/kL).</p> <p>Factor: Fuel combustion emission factor-Gasoline (other than for use as fuel in an aircraft). Energy content factor (GJ/kL) 34.2, Emission factor (CO<sub>2</sub>: 66.7, CH<sub>4</sub>: 0.6, N<sub>2</sub>O:2.3); Scope 3 emissions factor = 5.3.</p> <p>Source: National Greenhouse Accounts (NGA) factors Table 4, page 18 Fuel combustion emission factors (Transport Fuels); Table 38, page 66:</p> <p>Scope 3 emission factors - liquid fuels and certain petroleum based products. Other indirect emissions from hire cars for all national employees (tCO<sub>2</sub>-e)= total kL fuel consumed x (scope 1+ scope 3) emissions factor (tCO<sub>2</sub>/kL).</p> <p>Factor: Fuel combustion emission factor-Gasoline (other than for use as fuel in an aircraft). Energy content factor (GJ/kL) 34.2, Emission factor (CO<sub>2</sub>: 66.7, CH<sub>4</sub>: 0.6, N<sub>2</sub>O:2.3); Scope 3 emissions factor = 5.3.</p> <p>Source: National Greenhouse Accounts (NGA) factors- Table 4, page 18 Fuel combustion emission factors (Transport Fuels); Table 38, page 66:</p> <p>Scope 3 emission factors-liquid fuels and certain petroleum based products.</p>		



# GHG EMISSIONS ACCOUNTING, ENERGY AND FUEL USE AND TRADING - INVESTOR CONT'D

Sources of Scope 3 emissions	Evaluation status	Metric tonnes CO <sub>2</sub> e	Methodology	Percentage of emissions calculated using primary data	Explanation
Employee commuting	Not relevant, explanation provided				DEXUS has a flexible work culture and technology capabilities that support a flexible work environment and therefore employee commuting has not been calculated and included in the inventory. DEXUS has calculated and included Scope 3 emissions impacted by its operations. These were determined based on the criteria listed for Scope 3 emissions in the GHG Protocol and based on the NCOS Standard.
Upstream leased assets	Not relevant, explanation provided				DEXUS invests directly in Australian office and industrial properties and also manages office, industrial and retail properties on behalf of third party capital partners. DEXUS does not have a fleet of cars or any other leased assets that are material and therefore have not been included in the inventory. DEXUS has calculated and included Scope 3 emissions impacted by its operations. These were determined based on the criteria listed for Scope 3 emissions in the GHG Protocol and based on the NCOS Standard.
Investments	Relevant, not yet calculated				DEXUS has calculated and included scope 3 emissions impacted by its operations. These were determined based on the criteria listed for Scope 3 emissions in the GHG Protocol and based on the NCOS Standard. DEXUS identified Investments as being a relevant source of Scope 3 emissions and has made a public commitment to expand its boundary to include emissions from properties in the next financial year. This commitment was made publically in the 2012 Annual Review.
Downstream transportation and distribution	Not relevant, explanation provided				DEXUS invests directly in Australian office and industrial properties and also manages office, industrial and retail properties on behalf of third party capital partners. DEXUS has assessed the materiality of transportation and distribution associated with sold goods and services and determined that it is not material to its business. DEXUS has calculated and included Scope 3 emissions impacted by its operations. These were determined based on the criteria listed for Scope 3 emissions in the GHG Protocol and based on the NCOS Standard.

Sources of Scope 3 emissions	Evaluation status	Metric tonnes CO <sub>2</sub> e	Methodology	Percentage of emissions calculated using primary data	Explanation
Processing of sold products	Not relevant, explanation provided				DEXUS invests directly in Australian office and industrial properties and also manages office, industrial and retail properties on behalf of third party capital partners. DEXUS does not manufacture or produce products therefore has deemed emissions from processing of sold products not relevant to its business. DEXUS has calculated and included Scope 3 emissions impacted by its operations. These were determined based on the criteria listed for Scope 3 emissions in the GHG Protocol and based on the NCOS Standard.
Use of sold products	Not relevant, explanation provided				DEXUS invests directly in Australian office and industrial properties and also manages office, industrial and retail properties on behalf of third party capital partners. DEXUS does not manufacture or produce products therefore has deemed emissions from use of sold products not relevant to its business. DEXUS has calculated and included scope 3 emissions impacted by its operations. These were determined based on the criteria listed for scope 3 emissions in the GHG Protocol and based on the NCOS Standard.
End of life treatment of sold products	Not relevant, explanation provided				DEXUS invests directly in Australian office and industrial properties and also manages office, industrial and retail properties on behalf of third party capital partners. DEXUS does not manufacture or produce products therefore has deemed emissions from end of life treatment of sold products as not relevant to its business. DEXUS has calculated and included Scope 3 emissions impacted by its operations. These were determined based on the criteria listed for Scope 3 emissions in the GHG Protocol and based on the NCOS Standard.



# GHG EMISSIONS ACCOUNTING, ENERGY AND FUEL USE AND TRADING - INVESTOR CONT'D

Sources of Scope 3 emissions	Evaluation status	Metric tonnes CO <sub>2</sub> e	Methodology	Percentage of emissions calculated using primary data	Explanation
Downstream leased assets	Not relevant, explanation provided				DEXUS has calculated and included scope 3 emissions impacted by its operations. These were determined based on the criteria listed for scope 3 emissions in the GHG Protocol and based on the NCOS Standard. DEXUS does not lease non property assets therefore emissions from downstream leased assets are not relevant to its business. DEXUS identified Investments as being a relevant source of scope 3 emissions and has made a public commitment to expand its boundary to include emissions from its properties in the next financial year. This commitment was made publically in the 2012 Annual Review.
Franchises	Not relevant, explanation provided				DEXUS does not have any Franchises. DEXUS has calculated and included Scope 3 emissions impacted by its operations. These were determined based on the criteria listed for Scope 3 emissions in the GHG Protocol and based on the NCOS Standard.
Other (upstream)					
Other (downstream)					

## 14.2 Please indicate the verification/assurance status that applies to your Scope 3 emissions

Third party verification or assurance complete

### 14.2a Please indicate the proportion of your Scope 3 emissions that are verified/assured

More than 90% but less than or equal to 100%

### 14.2b Please provide further details of the verification/assurance undertaken, and attach the relevant statements

Type of verification or assurance	Relevant standard	Attach the document
Third party verification/assurance underway	Other: National Carbon Offset Standard (NCOS)	<a href="http://crs.dexus.com/upload/crs/DEXUS%20independent%20verification%202013.pdf">http://crs.dexus.com/upload/crs/DEXUS%20independent%20verification%202013.pdf</a>

## 14.3 Are you able to compare your Scope 3 emissions for the reporting year with those for the previous year for any sources?

Yes

### 14.3a Please complete the table

Sources of Scope 3 emissions	Reason for change	Emissions value (percentage)	Direction of change	Comment
Fuel- and energy-related activities (not included in Scopes 1 or 2)	Emissions reduction activities	7	Decrease	DEXUS has an emissions reduction strategy as part of its Carbon Neutral Program (NCOS). The plan outlines DEXUS's key strategies, objectives and targets for a more sustainable office and is focused on six key areas which include liveability, information technology, office consumables and recycled content procurement, office energy consumption, recycling and waste and internal processes. During the FY12 period, DEXUS implemented the following initiatives: Decommissioned and virtualised servers at head office. This led to a reduction in cooling requirements and energy consumption. In FY12 servers/storage units were virtualised with estimated energy and air conditioning savings of 84 kWh per day; Remote access software was rolled out to reduce the number of PCs left on for after-hours access. DEXUS has implemented forced standby for 12 hours per day with estimated savings of 0.07kWh average consumption per PC x 12 hours of standby x 120 PCs = 100kWh saved per day. Through these initiatives, in FY12 DEXUS reduced electricity consumption (at head office) by 17% from FY11. As a function of this reduction, the scope 3 emissions from the transmission and distribution losses relating to the purchased electricity for the tenancy also reduced by 17%. A total reduction of 7% across all fuel-and energy-related activities (scope 3 emissions) was achieved in the period due to emissions reduction activities and initiatives.
Business travel	Divestment	14	Increase	During the FY12 period DEXUS divested a significant portion of its US portfolio. As a function of this business activity, emissions from air travel increased due to additional long haul flights during the reporting period.
Waste generated in operations	Change in methodology	86	Decrease	In FY12 DEXUS used an updated waste volume to weight conversion factor (t/m3) for co-mingled waste to landfill. (WRAPP reporting guidelines (co-mingled containers), page 28.) In FY11 DEXUS used the AGO Factors and Methods Workbook - Dec 2006. As a result, the emissions from waste generated in operations decreased by 86% from 30 tCO <sub>2</sub> -e to 4 tCO <sub>2</sub> -e in FY12.
Purchased goods & services	Unidentified	18	Increase	GHG emissions from paper purchased increased from 5.4 tCO <sub>2</sub> -e to 6.3 tCO <sub>2</sub> -e in FY12, this equates to an 18% increase. As the methodology for calculating emissions relating to paper is based on reams purchased, and not on reams used, it is likely that this is not an actual increase in emissions for the period but still measured as an increase within the inventory.

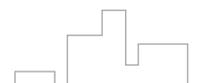
### 14.4 Do you engage with any of the elements of your value chain on GHG emissions and climate change strategies? (Tick all that apply)

- Yes, our suppliers
- Yes, our customers
- Yes, other partners in the value chain

### 14.4a Please give details of methods of engagement, your strategy for prioritizing engagements and measures of success

DEXUS, as a signatory to the United Nations Principles of Responsible Investment, is committed to delivering value to its investors from all of activities while respecting and supporting its various stakeholders. DEXUS's strategy and strategic objectives will be implemented through its CR&S framework. Being globally recognised as the leading real estate company in Australia in office, core capabilities, capital partnerships and capital and risk management requires DEXUS to fulfil its commitments to its:

- investors
- tenants
- employees
- suppliers
- community
- environment



DEXUS has a robust stakeholder engagement strategy in place that allows us to measure, assess and respond to material issues, using the framework outlined under the AA1000 standard.

### 1. Supplier engagement

DEXUS engages with suppliers specifically on GHG emissions and climate change when re-negotiating a service agreement and during formal tender processes. DEXUS requires all new suppliers to submit as part of their application, a CR&S specific questionnaire on CR&S policies and processes, this forms part of the selection tool DEXUS uses. Further, all tender documentation and service agreements have CR&S policies and KPIs integrated within.

### 2. Tenant engagement

During FY12, DEXUS was an active participant in numerous tenant engagement initiatives, programs and events targeted at reducing direct and indirect carbon emissions, raising awareness of climate change and carbon emissions and energy-efficiency programs.

(i) Earth Hour. DEXUS participated in Earth Hour 2012, a global initiative by the WWF held on Saturday March 31, 2012. DEXUS participated across its commercial office portfolio by switching off non-essential power and lighting. In 2012, 100% of DEXUS's office properties participated in Earth Hour nationally by turning off all non-essential base building power. Over 80% of tenants participated across office, industrial and retail portfolios in Australia and New Zealand and notably 97% of office tenants participated on the night.

(ii.) City Switch. DEXUS is also involved in City Switch Green Office, a government program focused on engagement, leadership and action by office tenants to improve the environmental performance of their own office accommodation and to publicly demonstrate their commitment, actions and achievements.

(iii.) Tenant surveys. Annually, DEXUS engages with tenants through a tenant satisfaction survey. In 2012, DEXUS standardised satisfaction questions for each sector, so that satisfaction levels could be benchmarked across the Group. The questions focus on tenant satisfaction with the organisation's management performance, building maintenance, sustainability, service delivery and responsiveness.

### 3. Engagement with other partners

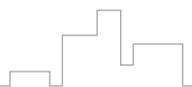
DEXUS has joint venture partners, where co-ownership of properties exists. DEXUS engages with joint property owners at an operational level to bring consistency and awareness to climate change issues and awareness initiatives. Examples include engagement with joint property managers on events such as Earth Hour with provision of marketing communications and liaising with property tenants on measuring building energy performance on a monthly basis via dashboard reporting and annual NABERS energy ratings.

#### 14.4b To give a sense of scale of this engagement, please give the number of suppliers with whom you are engaging and the proportion of your total spend that they represent

Number of suppliers	% of total spend	Comment
2	35%	Two major suppliers representing 35% of total spend are engaged regularly. Other suppliers are engaged with during re-negotiation of service contracts and formal tender processes.

#### 14.4c If you have data on your suppliers' GHG emissions and climate change strategies, please explain how you make use of that data

How you make use of the data	Please give details
Not available	



Property expertise.  
Institutional rigour.  
Entrepreneurial spirit.

