dexus

Annual Report 2020

Positioning for the recovery

Dexus is one of Australia's leading real estate groups, managing a high-quality Australian property portfolio valued at $32.0 billion

Positioning for the recovery

Over recent years, our ability to act quickly and decisively on both opportunities and challenges has been a contributing factor to our continued success.

While the challenges caused by the COVID-19 pandemic adversely impacted our financial result and the Dexus security price we continued to progress our strategic objectives and delivered solid operational achievements for the year.

Our vision, purpose and values

Our vision is to be globally recognised as Australia's leading real estate company

Our purpose is to create spaces where people thrive

Our values

- Openness and trust
- Empowerment
- Integrity

→ p.12

Our strategy

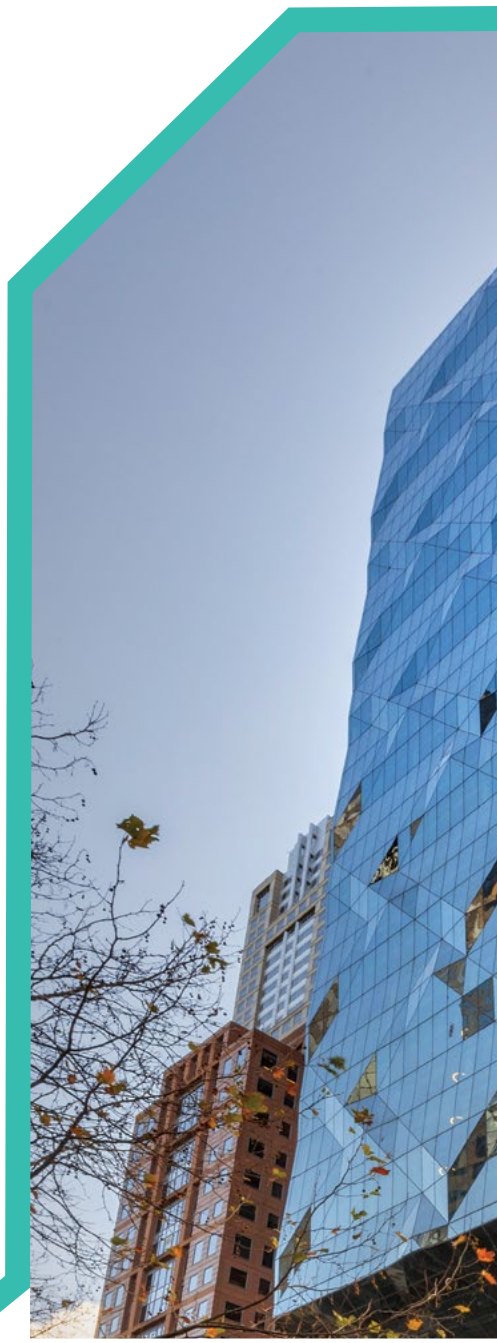
To deliver superior risk-adjusted returns for investors from high quality real estate in Australia's major cities

→ p.16

How we create value

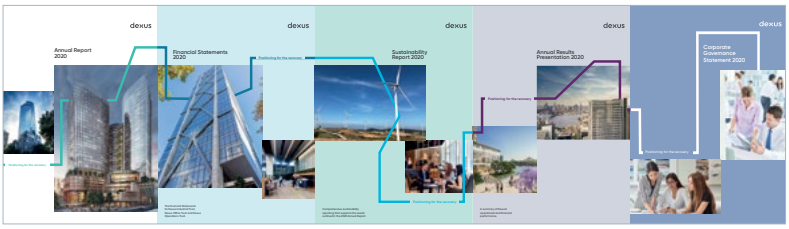
The framework that outlines how we create value for all stakeholders

→ p.12



80 Collins Street, Melbourne

2020 Dexus Annual Reporting Suite



Annual Report 2020 | Financial Statements 2020 | Sustainability Report 2020 | Annual Results Presentation 2020 | Corporate Governance Statement 2020

Cover images:
(L) Rialto Towers, Melbourne, **(R) Central Place Sydney** (artist's impression)

80 Collins Street,
Melbourne

80 Collins Street,
Melbourne

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About this report

We are progressing the development of our reporting to clearly articulate how we deliver long-term value for Dexus Security holders, our third party capital partners and other key stakeholders. This report refers to the International Integrated Reporting Council <IR> Framework to outline our strategy, key resources and business activities undertaken to create sustained value.

FY20 highlights

In an unprecedented and challenging year, we delivered solid achievements across the key resources and relationships we rely on to create value now and into the future

FY20

Financial

→ p.26

Maintaining strong financial performance by delivering on our strategy

50.3cents

Distribution per security
FY19: 50.2 cents

50.3cents

AFFO per security
FY19: 50.3 cents

9.0%

Return on contributed equity
FY19: 10.1%

Properties

→ p.36

Developing, managing and transacting properties to create a high-quality portfolio across Australia's key cities

$32.0bn

Value of group property portfolio

96.5%

Dexus office portfolio occupancy

$10.6bn

Group development pipeline

People and capabilities

→ p.42

Attracting, retaining and developing an engaged and capable workforce that delivers on our strategy

+61

Employee Net Promoter Score
FY19: +40

36%

Women in senior and executive management roles
FY19: 37%

Customers and communities

→ p.46

Supporting the success of our customers, the wellbeing of building occupants, the strength of our local communities and the capabilities of our suppliers

+50

Customer Net Promoter Score
FY19: +46

>$1.1m

Community investment value
FY19: $1.2m

Environment

→ p.52

Assessing the efficiency and resilience of our portfolio to minimise our environmental footprint and is positioned to thrive in a climate-affected future

>1m sqm

Rated minimum 5 star NABERS Energy across the group office portfolio, exceeding 1 million sqm target by end of FY20
FY20: 1,053,157sqm
FY19: 950,351sqm

>1m sqm

Rated minimum 4 star NABERS Water across the group office portfolio, exceeding 1 million sqm target by end of FY20
FY20: 1,058,585sqm
FY19: 757,423sqm

About Dexus

We are one of Australia's leading real estate groups, managing a high-quality Australian property portfolio valued at $32.0 billion.

100 Mount Street,
North Sydney

$32.0bn
Total funds under management

153
Properties

4.5m
Square metres across the group

Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (trading code: DXS) and is supported by more than 29,000 investors from 21 countries.

We believe the strength and quality of our relationships will always be central to our success and we are deeply committed to working with our customers to provide spaces that engage and inspire.

With over 35 years of expertise in property, investment, development and asset management, we have a proven track record in managing capital and risk to deliver superior risk-adjusted returns for our investors.

We invest only in Australia, and directly own $16.5 billion of office and industrial properties. We manage a further $15.5 billion of office, retail, industrial and healthcare properties for our third party capital partners. The group's $10.6 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns.

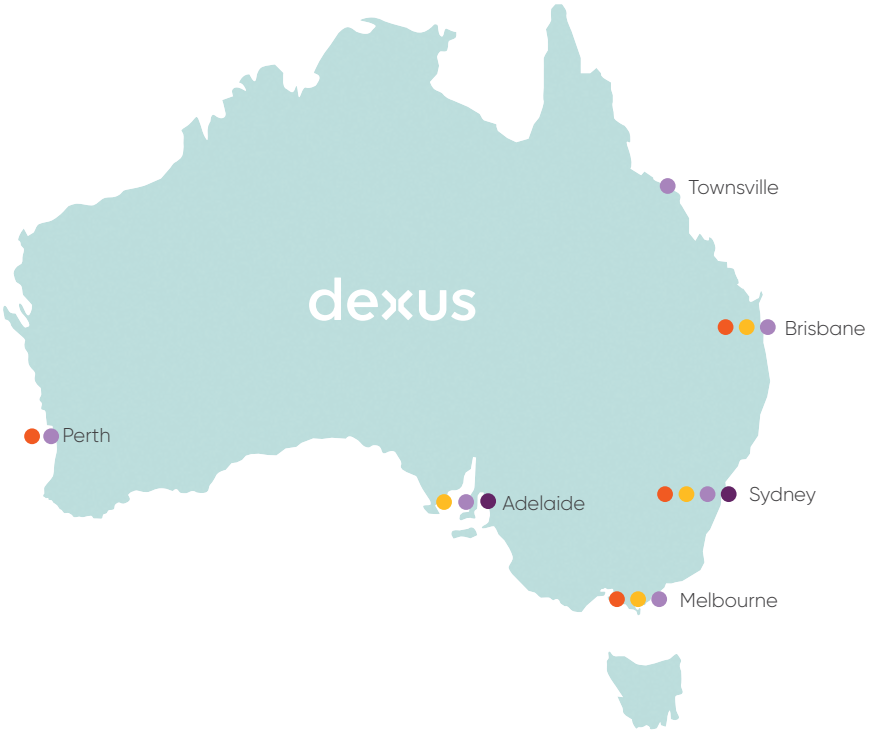
Dexus	Dexus Wholesale Property Fund	Dexus Office Partner	Healthcare Wholesale Property Fund
$16.5bn	$10.3bn	$2.7bn	$0.4bn
Dexus Industrial Partner	**Dexus Australian Commercial Trust**	**Australian Industrial Partner**	**Dexus Australian Logistics Partner**
$0.2bn	$0.6bn	$0.4bn	$0.9bn

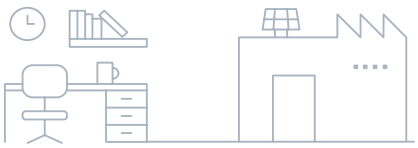
$10bn
Market capitalisation as at 30 June 2020

Top 50
Entity on ASX

552
Employees

We consider sustainability to be an integral part of our business with the objectives of Leading Cities, Future Enabled Customers, Strong Communities, Thriving People and an Enriched Environment supporting our overarching goal of Sustained Value.





Office
$23.3bn

Industrial
$4.9bn

Retail
$3.3bn

Healthcare
$0.5bn

Chair and CEO review

Over recent years, our ability to act quickly and decisively on both opportunities and challenges has been a contributing factor to our continued success.

The 2020 financial year saw a rapid deterioration in global economic conditions brought about by the COVID-19 pandemic that evolved in the last quarter of the year.

In Australia, there has been a coordinated response by governments, businesses, banks and communities. No business, including Dexus, has been immune to the impacts of the crisis caused by the pandemic.

Response to COVID-19

When the pandemic took hold in late March 2020, our number one priority was to ensure the health, safety and wellbeing of the people in our buildings. With government restrictions implemented across our key markets, we kept our buildings operational to enable business continuity for the essential services of our customers.

It has been a difficult time for many of our valued customers. We actively supported the viability of our small business customers most affected by the crisis through the provision of rent relief. This is consistent with the Commercial Code of Conduct and set of principles introduced by the National Cabinet in April 2020 and applied to commercial tenancies for small and medium enterprises experiencing financial stress.

These actions have impacted our financial result for the year which, until the last quarter was tracking ahead of expectations. In response to the uncertain environment, we implemented cost reduction initiatives and secured additional debt facilities. We also withdrew our FY20 guidance until there was further certainty on cash flow, and in early June 2020 announced revised guidance for a distribution consistent with FY19, which we have delivered on.

While these challenges adversely impacted our financial result and the Dexus security price we progressed our strategic objectives and delivered solid operational achievements for the year.

Positioning for the recovery

Our response to the challenging operating environment, together with how we were placed going into the crisis, positions us well for the recovery.

In recent years we have actively undertaken initiatives to improve asset quality and portfolio diversification, while maintaining a strong balance sheet. This included acquiring MLC Centre in Sydney, 80 Collins Street and 52 and 60 Collins Street in Melbourne, and Waterfront Place in Brisbane, while recycling assets in Adelaide, Canberra and other non-core locations.

Through transactions, developments and favourable asset valuations we achieved growth in funds under management, consistent with our focus on leadership in office and being a wholesale partner of choice. We increased the group's exposure to the industrial and healthcare property sectors alongside our third party capital partners, further diversifying our position across these growing sectors. We have also enhanced our product offering, working proactively with our customers to provide workspace solutions that enable additional flexibility and a seamless experience.

We have also invested in technology, both within our properties and at a corporate level, across our organisational systems and processes, creating efficiencies and enhancing our customers' experience. With a heightened focus on health and wellbeing we are enhancing our investment in touchless technology that can be fully integrated into our buildings, as well as initiatives relating to the operation of our buildings and new development projects in a post-COVID-19 environment.

Our immediate priorities are summarised across five key areas:

- **Assist in returning Australian businesses safely to their workplaces:** As Australia's largest owner and manager of office buildings, we have taken a leadership role in the operational aspects of returning to work in a safe way, consistent with government guidelines. This has involved working with the authorities on lift capacities and regular customer communications on the operations of our buildings and their plans for returning to the office
- **Optimise our property portfolio composition:** We have remained focused on preserving capital while selectively investing in assets with solid fundamentals. In FY20, we established a new joint venture with GIC, to acquire a 50% interest in the iconic Rialto Towers complex in Melbourne, and sold circa $1.0 billion of non-core or lower returning assets
- **Accelerate opportunities to expand our funds management platform:** We continue to receive significant interest from international capital partners seeking to invest in Australian property, and aim to accelerate opportunities to expand our funds platform, including the launch of an unlisted opportunity fund series in FY21
- **Continue to work with our customers on the future of workspace:** The crisis has accelerated the flexible working trend and some of the long-term structural trends, such as technology, that have underpinned our workspace strategy. We invest time in being at the forefront of those drivers and understanding our customers' needs to drive innovation, collaboration and workplace culture

- **Progress our city-shaping development pipeline including:**
  - Central Place Sydney, a major office development underpinning the delivery of Tech Central, Sydney's new innovation and technology precinct
  - Waterfront Brisbane, a major redevelopment of the Eagle Street Pier site which will make way for two office towers and unlock the considerable potential of this Brisbane CBD gateway site
  - 60 Collins Street, Melbourne consolidating two adjacent sites to develop a Prime grade office tower located at the 'Paris' end of Collins Street
  - Pitt and Bridge Precinct, a significant office development on a large site located in the financial core of the Sydney CBD

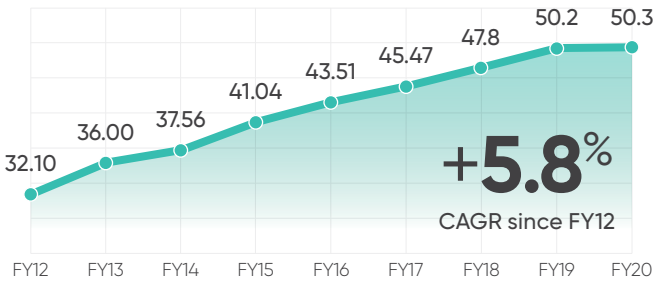
Delivering sustained value

While our financial results were adversely impacted by the pandemic, we delivered a full year distribution of 50.3 cents per security which was consistent with FY19 and in line with the revised guidance provided on 1 June 2020. This achievement has resulted in a 5.8% compound annual growth rate since FY12.

Dexus's net profit after tax was $983.0 million, down 23.3% primarily due to revaluation gains which were $160.7 million lower than in FY19. Underlying Funds from Operations per security of 63.5 cents, which excludes trading profits, grew by 1.0%, despite the impact of rent relief provided, highlighting the contribution from the funds management business and non-recurring cost reduction measures.

Rialto Towers, Melbourne

History of Dexus distribution per security[1]
(cents per security)



1. Adjusted for the one-for-six security consolidation completed in FY15. Compound annual growth rate (CAGR) is calculated over eight years.

Chair and CEO review

Adjusted Funds From Operations (AFFO) per security growth and Return on Contributed Equity (ROCE) through the cycle are key measures that drive long-term value creation for Security holders. In FY20, we did not achieve AFFO per security growth due to COVID-19, however we achieved a ROCE of 9.0%.

Dexus delivered a negative total Security holder return for the year, underperforming the S&P/ASX 200 Property Accumulation (A-REIT) Index by 44 basis points. Dexus maintains its outperformance of the A-REIT index over three, five and ten-year time horizons.

In FY20, each of our earnings drivers contributed to the financial result.

Across our **property portfolio**, we achieved valuation increases of $612.4 million and Funds from Operations of $795.6 million, with our office and industrial portfolios delivering +2.4% and -2.1% like-for-like income growth respectively.

In our **funds management business**, we continued to attract new capital during the year, with acquisitions, developments and revaluations contributing to the $15.5 billion of third party funds under management, while delivering on third party capital partners' objectives.

The loss of the management of the $2.0 billion Australian Mandate portfolio, managed on behalf of the NSW Treasury Corporation, from 30 June 2020, resulted in cost cutting including some job closures across the group to minimise the impact of reduced fee revenue.

Dexus managed the Australian Mandate for more than 30 years with the internally managed portfolio achieving outperformance for the mandate versus the MSCI benchmark over 5, 7 and 10 years at 30 June 2020.

In **trading**, we secured $35.3 million of trading profits net of tax following the sale of a 25% interest in 201 Elizabeth Street in Sydney and the progress of the North Shore Health Hub in St Leonards, currently under construction and sold to Healthcare Wholesale Property Fund (HWPF) on a fund-through basis. Post 30 June 2020, we entered into agreements to sell a portfolio of six trading assets to the Dexus Australian Logistics Trust (DALT) and exercised our put option to sell our remaining 25% interest in 201 Elizabeth Street. These sales result in trading profits being contracted for FY21 and FY22 while satisfying the growing acquisition mandate for the Trust.

We continued to maintain a strong and conservative balance sheet with gearing (look-through)[1] at 24.3%, well below our target range of 30-40%. As a result of our credentials going into the crisis, we were able to arrange additional bank debt facilities, further strengthening our financial position.

Contributing to Leading Cities

As a real estate company, our quality properties are central to how we create value. Being concentrated in Australia's major CBDs, we help shape our cities as leading destinations to live, work and play. Over the year, we maintained high occupancy levels through leasing, with our office portfolio occupancy at 96.5% and industrial portfolio occupancy at 95.6%.

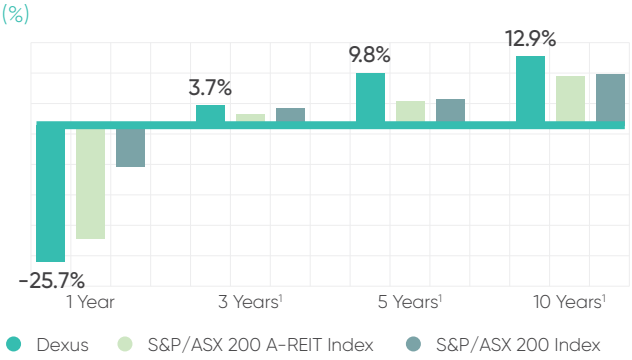
Over recent years, buying quality properties on-market has become increasingly competitive and we have undertaken developments as an efficient allocation of our capital. The group's $10.6 billion development pipeline provides Dexus with the opportunity to enhance future returns by growing the core property portfolio and those portfolios managed on behalf of our third party capital partners.

In the current uncertain environment, the ownership of our city-shaping developments, in partnership with our third party capital partners, combined with the fact that they are currently income producing assets, reduces our risk and allows us to progress planning, enhancing the optionality for these developments.

Further details in relation to our properties and developments can be found on page 36.

1. Adjusted for cash and debt in equity accounted investments. Proforma gearing includes proceeds and payments for transactions post 30 June 2020 that are expected to settle before 30 September 2020 including the divestment of Finlay Crisp Centre, Canberra, 201 Elizabeth Street, Sydney and 45 Clarence Street, Sydney (subject to FIRB approval), the acquisition of Edward Street, Brisbane (Hermes), payment of Dexus's share of deferred settlement amounts for 80 Collins Street, Melbourne, the industrial property acquisitions of 37-39 Wentworth Street, Greenacre and the Ford Facility at Merrifield Business Park, Mickleham. All other transactions post 30 June 2020 are excluded. Look-through gearing at 30 June 2020 was 26.3%.

Total Security holder return
(%)



1. Annualised compound return.
Source UBS Australia at 30 June 2020.

Being concentrated in Australia's major CBDs, we help shape our cities as leading destinations to live, work and play.

Waterfront Brisbane,
(artist's impression)

Developing Thriving People

This year has brought to the fore our core values and organisational purpose. Our values of openness and trust, empowerment and integrity combined with our purpose of "creating places where people thrive" have guided and underpinned our behaviours and culture during this time.

Our people are central to the success of our strategy and their knowledge, expertise and ability to innovate are key inputs into how we position for the recovery. We have a highly engaged workforce that is committed to delivering on our strategy, reflected in our high employee Net Promoter Score.

We recognise that key to our continuing success is retaining and attracting high-performing people and having an inclusive and diverse workforce.

We are proud to have again been included amongst a select group of Australian companies that were awarded an Employer of Choice for Gender Equality citation for 2019-20 by the Workplace Gender Equality Agency.

During the COVID-19 pandemic our people have played an instrumental role in ensuring the safety of our customers, contractors and the community across the group property portfolio.

Our ongoing focus on safety is measured by independent external safety audits across our corporate and management workplaces, and this year we achieved an average score of 100%.

Further details in relation to our people can be found on page 42.

We have a highly engaged workforce that is committed to delivering on our strategy, reflected in our high employee Net Promoter Score.

Chair and CEO review

1 Bligh Street,
Sydney

+50

Customer Net Promoter Score

Delivered on

2020

NABERS Energy and Water targets

Building strong partnerships

Developing strong partnerships with our customers, local communities and suppliers has a valuable impact on the people in and around our buildings. Our customers are at the heart of what we do and we invest time in understanding their needs and delivering solutions to help them thrive in their workspaces.

Our annual customer survey returned a high customer Net Promoter Score of +50 (out of a possible range of -100 to +100), an increase from +46 in FY19, reflecting the strength of our relationships.

Dexus is a signatory to the UN Global Compact, reinforcing our continued commitment to corporate sustainability principles. We are committed to ensuring our operations provide quality jobs with the right conditions and collaborate with our suppliers to understand how we can contribute to upholding human rights across our supply chain, including preventing modern slavery. Our efforts in this important area of focus are detailed in our inaugural Modern Slavery Statement.

Further details in relation to our customers, local communities and suppliers can be found on page 46.

Enriching the environment

The devastating impact of the Australian drought and bushfire crisis that dominated the summer of 2019-20 increased investor focus on the resilience of our properties to climate change. The launch of our *Towards Climate Resilience* report in June 2020 reinforces our approach to addressing climate change and enhancing our resilience.

This year, we progressed our goal by improving energy and water efficiency, delivering our 2020 NABERS Energy and Water targets and expanding the adoption of renewable energy sources, including the rollout of solar projects across properties in Queensland and New South Wales.

Dexus gained global recognition for its commitment to its net zero goal, enhancing sustainability disclosure and ongoing focus on portfolio resilience, achieving industry leadership in the Dow Jones Sustainability Index (DJSI) and a position on the CDP Climate Change A List.

Further details in relation to how we support an enriched environment can be found on page 52.

Strong governance focus

We instil robust governance practices and sound risk management at all levels of our business and continually work on maintaining a strong risk culture across the group. Together, the Board and senior management are responsible for creating a culture where every employee has ownership and responsibility for acting lawfully and responsibly.

Reinforcing the integration of environmental, social and governance (ESG) issues into our decision making, the Board ESG Committee was established, overseeing the implementation of the group's ESG activities, including our sustainability approach.

Our Board now comprises eight non-executive directors and one executive director, following the appointment of Patrick Allaway as a new non-executive Director. Patrick has extensive senior executive, non-executive director, and corporate advisory experience over a 30-year career in the financial services, property, media and retail sectors.

As a result of the onset of the pandemic, we temporarily paused our Board renewal strategy due to the challenging operating environment and will recommence this strategy over the course of FY21.

Further details relating to the Board and our governance practices are included in the Governance and Board of Directors section, as well as the Corporate Governance Statement available at www.dexus.com

Summary and outlook

Dexus is well positioned with a track record of delivering on strategy, a stable and experienced management team, a quality property portfolio with a diversified customer base, and a strong balance sheet.

Our substantial city-shaping development pipeline comprises projects that will deliver long-term value beyond the recovery period, providing the opportunity to build the next generation of office buildings focused on technology, safety and sustainability.

As global pension and offshore capital sources seek long-term investment opportunities in real assets, our diversified funds management business continues to attract interest from new capital.

Our team's knowledge, expertise and ability to innovate, combined with our investments in technology and workspace consulting, will help us position for the recovery.

Office property is a long-term asset class and has shown its resilience to perform through the cycle. However, with Australia in a recession, we are preparing for subdued tenant demand and increased vacancy levels in our core office markets. In this environment we remain focused on maintaining high portfolio occupancy.

We will also make decisions that set the group up to perform over the long term. We will selectively recycle assets, which may result in short-term earnings dilution but will enable us to reinvest into opportunities that we believe will drive stronger investor returns over the next decade.

Our immediate priorities are summarised across five key areas: assisting Australian businesses in returning safely to their workplaces, optimising our property portfolio composition, accelerating opportunities to expand our funds management platform, continuing to work with our customers on the future of workspace, and progressing the city-shaping development pipeline.

On behalf of the Board and management, we extend our appreciation to our people for their dedication and significant contribution to this year's result. We also thank our third party capital partners for entrusting us with the management of their investments, and our customers for their commitment across our property portfolio.

Importantly, we thank you, our investors, for your continued investment in Dexus.

Richard Sheppard
Chair

Darren Steinberg
Chief Executive Officer

Future focus

Deliver a distribution in line with free cash flow in FY21. However, taking into account continued uncertainty, Dexus is not providing distribution per security guidance for the 12 months ended 30 June 2021.

How we create value

Our purpose

Who we are	Why we come to work	We create value for	Our values
A passionate and agile team who want to make a difference	To create spaces where people thrive	Our customers, investors, people, and communities	Openness, trust, empowerment, and integrity

Megatrends → p.14

Our strategy → p.16

Key resources → p.18

Key business activities → p.20

Megatrends

- Urbanisation
- Growth in pension capital funds flow
- Social and demographic change
- Technological change
- Climate change
- Growth in sustainable investment

Vision

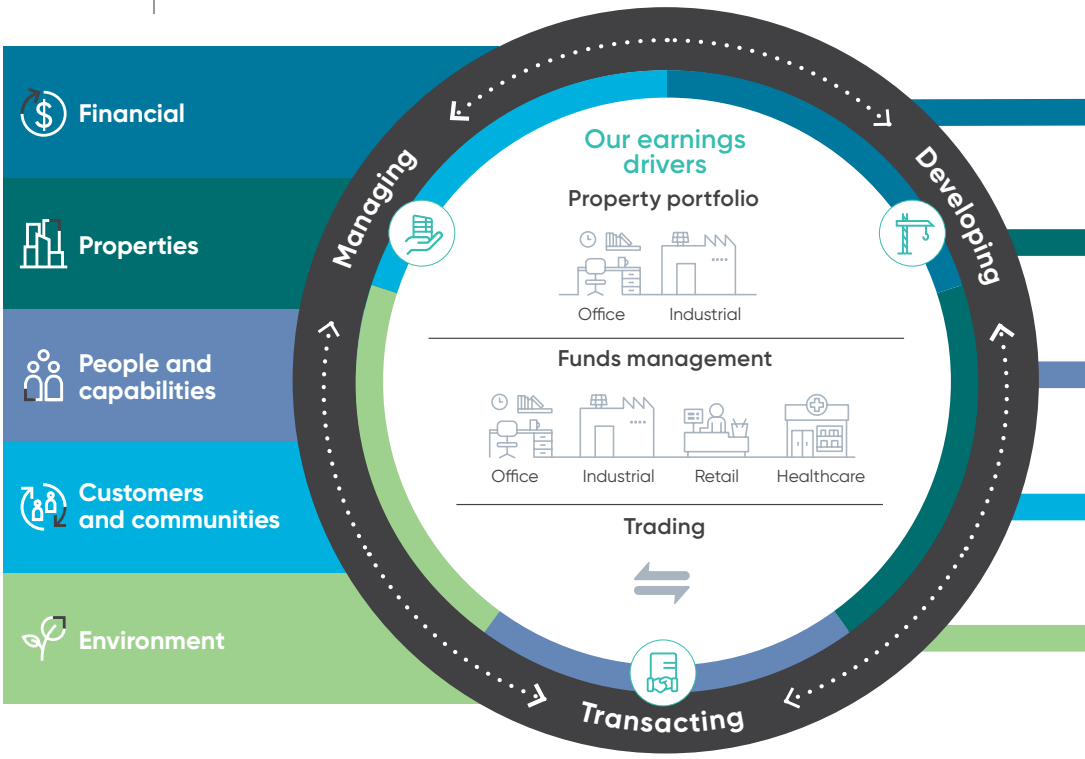
To be globally recognised as Australia's leading real estate company

Strategy

Delivering superior risk-adjusted returns for investors from high quality real estate in Australia's major cities

Strategic objectives

- Leadership in Office
- Wholesale partner of choice



Key risks → p.22

Our sustainability approach

Our sustainability approach is the lens that we use to effectively manage emerging environmental, social and governance (ESG) risks and opportunities, creating sustained value for our stakeholders

→ 2020 Sustainability Report

Value creation outcomes

Sustained Value

Superior long-term performance for our investors and third party capital partners, underpinned by integrating ESG issues into our business model

→ p.26

Value drivers

- Financial performance
- Capital management
- Corporate governance

Leading Cities

A high-quality portfolio that contributes to economic prosperity and supports sustainable urban development across Australia's key cities

→ p.36

Value drivers

- Portfolio scale and occupancy
- Economic contribution
- Development pipeline

Thriving People

An engaged, capable and high-performing workforce that delivers on our strategy and supports the creation of sustained value

→ p.42

Value drivers

- Employee engagement
- Inclusion and diversity
- Health and safety

Future Enabled Customers and Strong Communities

A strong network of value chain partners (customers, communities and suppliers) who support Dexus and are positively impacted by Dexus

→ p.46

Value drivers

- Customer experience
- Community contribution
- Supply chain focus

Enriched Environment

An efficient and resilient portfolio that minimises our environmental footprint and is positioned to thrive in a climate-affected future

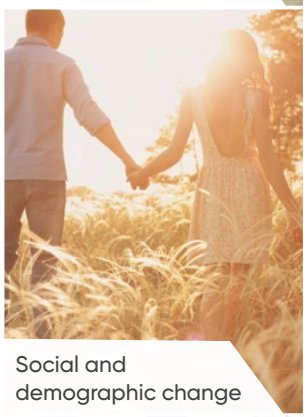
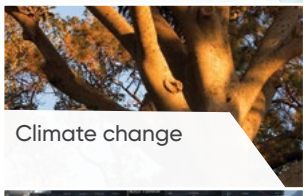
→ p.52

Value drivers

- Resource efficiency
- Climate resilience
- Green buildings

Megatrends

Megatrends shape our operating environment, generating both risks and opportunities that impact how we create value through our business model.

Megatrend	Description	Connection to key resources
 Urbanisation	Urbanisation in major cities both in Australia and around the world is increasing. This creates challenges for social equity, the environment, transport systems and city planning.	Financial Properties Environment
 Growth in pension capital fund flows	Funds under management within pension funds are expected to increase significantly as populations in developed nations continue to age. Consequently, real estate is expected to receive a higher share of capital allocation.	Financial Properties
 Social and demographic change	Demographic trends such as the rise of millennials and the ageing population have implications for the design of workspaces and the functioning of cities more broadly.	Customers and communities People and capabilities
 Technological change	Technology and connectivity is driving mobility and collaboration in workplaces. Artificial Intelligence, automation and robotics is replacing repetitive tasks, together with a new focus on the value of big data and analytics.	Customers and communities People and capabilities
 Climate change	It is now widely recognised that climate change is a risk to financial stability and is intensifying other environmental challenges such as resource scarcity. Climate challenges include impacts from extreme weather and longer-term climate changes, as well as the potential transition to a low carbon economy.	Financial Environment
 Growth in sustainable investment	Sustainable investing is growing at a rapid rate both in Australia and around the world. To gain access to sustainable investment flows, businesses need to address the environmental, social and governance issues that are material to their ability to create value.	Financial

There are various megatrends that could impact Dexus's strategy and outlook, and we actively review them as the nature and potential of these trends can change over time.

Implications for our business model and how we are responding

An investment in Dexus is an investment in Australia's cities. Our property portfolio is concentrated in the CBDs of Australia's major cities and we believe these locations are where our customers want and need to be.

We continue to invest in key CBD locations and are enhancing our existing development capabilities, so we are optimally positioned to maximise value from our existing portfolio. In addition, we are investing in precinct development capabilities so that our contribution towards the creation of vibrant 'work, live, play' communities is maximised. We work closely with our third party capital partners, public authorities, real estate consultants, technology providers and the wider community in undertaking these activities. Dexus does not believe COVID-19 will shift the ongoing megatrend of urbanisation.

Dexus is a leading Australian real estate fund manager. Our funds management business provides wholesale investors with exposure to quality sector specific and diversified real estate investment products. These funds also have a strong track record of performance and benefit from leveraging the leasing, asset and property management capabilities provided by Dexus. We often invest alongside our third party capital partners on acquisition and development opportunities, enhancing alignment to our strategy to generate superior risk-adjusted returns.

We expect that our funds management business will benefit from the megatrend of the growth in pension fund capital flows through selectively expanding existing funds and launching new investment products where we believe a competitive advantage can be obtained, as shown through the establishment of Healthcare Wholesale Property Fund (HWPF) and the Dexus Australian Logistics Trust (DALT).

Workforce composition is increasingly diverse, and expectations for a seamless experience that enables collaboration and flexibility has never been greater. Workers are increasingly technology savvy and the ability to work from anywhere at any time is now a baseline expectation for workers of all generations.

Our focus on delivering 'simple and easy' experiences is focused on reducing pain points for our customers, enabling collaboration and developing communities within our properties. Through our agile, customer-centric approach, we are able to provide solutions that suit the broad diversity of our customers' workforces.

Demand for healthcare services will continue to benefit from ageing demographics, longer life expectancy and population growth. In the current environment, COVID-19 has highlighted the role of high-quality healthcare infrastructure and the sector tends to be resilient to downturns.

We monitor and support demographic diversity in our workforce, and our flexible working policy enables our employees to work anywhere, any time, supporting personal wellbeing and productivity. The recent COVID-19 government restrictions have meant a new experience of working remotely for many and this may create opportunities for Dexus to develop new flexible workspace products in partnership with our customers.

Technological advancement brings opportunities to further support our customers in their growth and productivity goals, and we are implementing innovative technologies in new developments to deliver a better customer experience and optimise workforce productivity. Our smart buildings strategy enables connectivity and flexibility across workplace locations.

We continue to invest in workplace systems and processes for our people that will create a foundation for operational excellence.

Our commitment and investments in technology have been demonstrated through our partnership with the Taronga Ventures platform and fund. This will better position Dexus to secure first-mover advantage on next generation technology solutions for our business, customers and investors.

For over a decade, we have enhanced the environmental performance and reduced the carbon footprint of our portfolio through targeted improvements to energy and water efficiency.

We are on the journey to achieve net zero emissions by 2030, and have integrated risks and opportunities from climate change into our operations. We focus on supporting the physical resilience of our portfolio and work with stakeholders in our value chain to reduce their impacts through waste management and sustainable procurement.

Dexus has welcomed the increasing interest from its investors and third party capital partners about how Dexus is managing ESG issues. Our sustainability approach is the lens that we use to effectively address emerging ESG risks and opportunities.

We have integrated the reporting of our ESG performance into our Annual Report, to enhance communication with our stakeholders and support the further integration of ESG into our business model. We benchmark our ESG approach using investor surveys and have established globally leading positions according to the Principles for Responsible Investment, Global Real Estate Sustainability Benchmark, Dow Jones Sustainability Index, and CDP Climate Change.

Strategy

Our strategy remains focused on our core strengths of owning and managing high quality real estate in Australia's major cities to deliver superior risk-adjusted returns for investors.

Delivering superior risk-adjusted returns means outperforming the relevant three and five-year benchmarks in each market in which Dexus owns or manages properties while providing Dexus investors with sustainable and growing distributions.

We have two strategic objectives that underpin this strategy.

- **Leadership in office:** being the leading owner and manager of Australian office property
- **Wholesale partner of choice:** being the partner of choice for funds management in Australian property

Our objectives of leadership in office and wholesale partner of choice complement each other. Our success has enabled Dexus to attract investment partners in the office, industrial and healthcare property sectors, in turn providing the opportunity to drive investment performance while obtaining scale in our core markets.

We believe that scale supports the generation of investment outperformance for both Dexus Security holders and our third party capital partners through broader customer insights, provision of a greater range of workspace solutions and increased capacity to invest in people, systems and technologies that enhance our customers' experience.

Our sustainability approach is used as a lens to integrate ESG risks and opportunities into our strategy and property and funds management activities, creating sustained value for Dexus investors (including our third party capital partners), employees, customers, suppliers and communities.

Our strategy

To be globally recognised as Australia's leading real estate company

To deliver superior risk-adjusted returns for investors from high-quality real estate in Australia's major cities

Leadership in office

Being the leading owner and manager of Australian office property

Wholesale partner of choice

Being the partner of choice for funds management in Australian property

Our sustainability approach

What sets Dexus apart?

Quality real estate portfolio located across key Australian cities

High performing funds management business with diverse sources of capital

Globally recognised leader in sustainability

City-shaping development pipeline

Superior transaction and trading capabilities

Talented engaged, inclusive and diverse workforce

Key resources

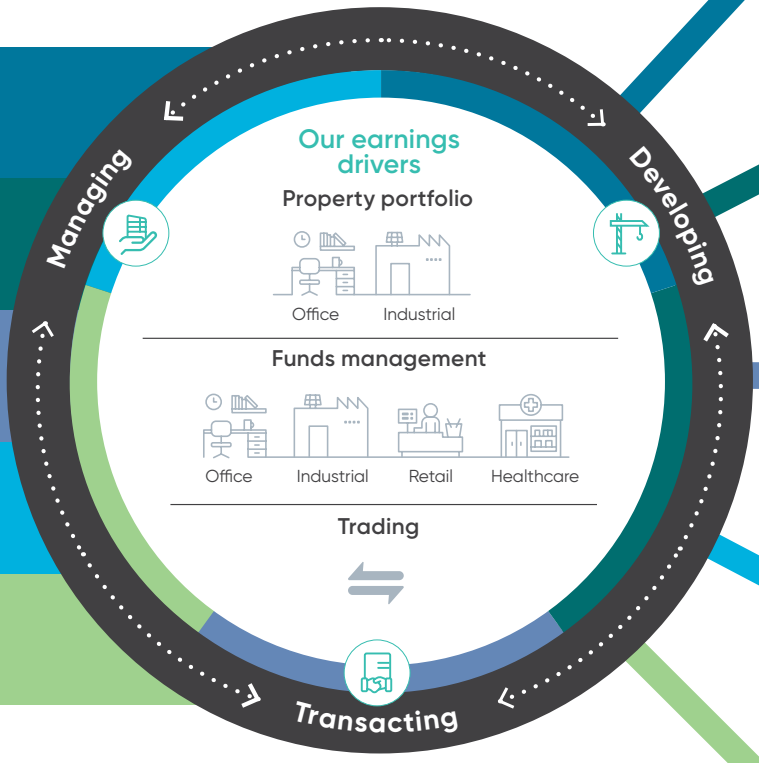
We rely on our key resources or relationships to create value now and into the future.

Key resources	How our key resources are linked to value creation
Financial	Our financial resources are the pool of funds available to us for deployment, which includes debt and equity capital, as well as profits retained from our property management, development and trading activities. This also includes the financial capital from our third party capital partners which we invest on their behalf. Our prudent management of financial capital underpins the delivery of superior risk adjusted returns to Dexus investors with a through the cycle target for Adjusted Funds From Operations (AFFO) per security growth of 3-5% and Return on Contributed Equity (ROCE) of 7-10%. Our policy is to pay distributions to Security holders in line with free cash flow for which AFFO is a proxy.
Properties	As a real estate company, our properties are central to how we create value. We actively manage our property portfolio to enhance its potential, while unlocking further value through development to further enhance quality, or for higher and better uses. Our portfolio is concentrated in Australia's major cities, which we contribute to shaping as leading destinations to live, work and play.
People and capabilities	Our people's knowledge and expertise are key inputs to how we create value. We are a passionate and agile team who want to make a difference. We focus on sustaining a high-performing workforce supported by an inclusive and diverse culture. Our intellectual capital enables us to instil strong corporate governance, sound risk management and maintain a focus on health and safety at all levels of our business.
Customers and communities	Our capacity to create value depends on strong relationships with our customers, local communities and suppliers. We work in partnership with our customers to provide engaging and productive spaces in our buildings that satisfy their evolving needs. We support the communities in which we operate in recognition of their contribution to the activity and vibrancy of our spaces. We partner with our suppliers to deliver our development projects and manage our properties more efficiently, while maintaining a proactive focus on health and safety.
Environment	The efficient use of natural resources and sound management of environmental risks supports our creation of value through delivering cost efficiencies and operational resilience. We understand, monitor and manage our environmental impact, setting short-term and long-term measurable environmental performance targets. We prepare for the physical impacts of climate change, while harnessing opportunities that support the transition to a low carbon economy.

The value that is created	How we measure value
Sustained Value Superior long-term performance for our investors and third party capital partners, underpinned by integrating ESG issues into our business model.	– Distribution per security – Adjusted Funds From Operations (AFFO) per security – Return on Contributed Equity (ROCE) → p.26
Leading Cities A high-quality portfolio that contributes to economic prosperity and supports sustainable urban development across Australia's key cities.	– Scale: value of property portfolio – Customer demand and space use: portfolio occupancy rates – Economic contribution: Construction jobs supported and Gross Value Added (GVA) to the economy from development projects – Future value: value of development and pipeline → p.36
Thriving People An engaged, capable and high-performing workforce that delivers on our strategy and supports the creation of sustained value.	– Employee engagement: employee Net Promoter Score – Gender diversity: female representation in senior and executive management roles – Health and safety: workplace safety audit scores → p.42
Future Enabled Customers and Strong Communities Satisfied and successful customers supported by high performing workspaces and a comprehensive customer product and service offering. Well connected, prosperous and strong communities within and around our properties. A network of capable and effective supplier relationships that ensures ESG standards are maintained throughout our supply chain.	– Customer advocacy: customer Net Promoter Score – Community contribution: total value contributed – Supply chain economic contribution: number of supplier partnerships → p.46
Enriched Environment An efficient and resilient portfolio that minimises our environmental footprint and is positioned to thrive in a climate-affected future.	– Performance ratings: NABERS Energy and Water ratings – Climate resilience: Greenhouse gas emissions reductions – Resource efficiency: energy and water reductions and waste management → p.52

Key business activities

We create value for all our stakeholders through utilising our asset management, development and transaction capabilities.



Value creation outcomes

Sustained Value

Superior long-term performance for our investors and third party capital partners, underpinned by integrating ESG issues into our business model

Leading Cities

A high-quality portfolio that contributes to economic prosperity and supports sustainable urban development across Australia's key cities

Thriving People

An engaged, capable and high-performing workforce that delivers on our strategy and supports the creation of sustained value

Future Enabled Customers and Strong Communities

A strong network of value chain partners (customers, communities and suppliers) who support Dexus and are positively impacted by Dexus

Enriched Environment

An efficient and resilient portfolio that minimises our environmental footprint and is positioned to thrive in a climate-affected future

The Annex, 12 Creek Street
Brisbane

Value drivers

- Financial performance
- Capital management
- Corporate governance

Value drivers

- Portfolio scale and occupancy
- Economic contribution
- Development pipeline

Value drivers

- Employee engagement
- Inclusion and diversity
- Health and safety

Value drivers

- Customer experience
- Community contribution
- Supply chain focus

Value drivers

- Resource efficiency
- Climate resilience
- Green buildings

Managing

Dexus manages $32.0 billion of Australian real estate investments across the office, industrial, retail and healthcare asset classes. $16.5 billion of properties are managed on behalf of Dexus investors and $15.5 billion on behalf of our third party capital partners.

We utilise our asset and property management expertise to maximise cash flow for assets managed across the group. This active approach seeks to add value through leasing to diversify the customer mix and capitalise on the stage that we are at in the property cycle. Our in-house project delivery group assists in effectively managing downtime and delivering capital works projects in a timely manner.

Developing

Dexus has a $10.6 billion group development pipeline. We utilise our expertise to access and manage development opportunities, enhancing future returns and improving portfolio quality and diversification.

Development also delivers on our third party capital partners' strategies and provides organic growth in assets under management, and therefore revenue potential to Dexus.

Transacting

We utilise our multi-disciplinary expertise to identify, evaluate, and execute acquisition and divestment opportunities across a range of sectors and asset types.

We invest alongside our third party capital partners to access real estate with the objectives of improving portfolio quality and performance and achieving scale in our core markets.

We have demonstrated our ability to invest capital at the right time in the property cycle, acting quickly and evolving our approach to secure opportunities while adhering to our strict investment criteria.

Key risks

Dexus understands that effective risk management requires an understanding of risks during all phases of the investment life cycle.

We are committed to meeting high standards of risk management in the way we conduct business and actively identify and manage risks that may impact the realisation of our strategy. Effective risk management is critical in enabling the delivery of high-quality products and services to customers and maximising investor returns.

Our key risks incorporate insights from our materiality assessment process, described on page 6 of the 2020 Sustainability Report.

Board focus

The Board Risk Committee is responsible for reviewing the Risk Management Framework for the group. In FY20 the Board Risk Committee was involved in:

- Considering and reviewing the top key risks, their controls and mitigants
- Reviewing cyber risk and ongoing resilience
- Overseeing Dexus's response to the impact of the COVID-19 crisis on Dexus's portfolio and corporate operations
- Overseeing the Dexus approach to the management of Aluminium Composite Panel cladding risk across the portfolio
- Overseeing the implementation of Dexus's organisational culture initiatives

Key risk	Potential impacts
Building and workplace health & safety Ensuring the safety and wellbeing of employees, customers, contractors and the public at Dexus properties.	– Death or injury to individuals at Dexus properties – Reputational damage – Loss of broader community confidence – Costs or sanctions associated with regulatory response – Costs associated with criminal or civil proceedings – Costs associated with remediation and/or restoration
Performance Ability to meet market guidance, deliver superior risk-adjusted performance relative to industry benchmarks and complete developments in line with expectations.	– Reduced investor sentiment (equity and debt) – Loss of broader community confidence – Reduced credit ratings and availability of debt financing
Capital markets Positioning the capital structure of the business to withstand unexpected changes in equity and debt markets.	– Constrained capacity to execute strategy – Increased cost of funding (equity and debt) – Reduced investor sentiment (equity and debt) – Reduced credit ratings and reduced availability of debt financing

Link to key resources	How Dexus is responding
Properties **Customers and communities** **People and capabilities**	As a priority we focus on the health, safety and wellbeing of our employees and the people in our buildings. We adopt a series of measures to ensure building and workplace health and safety is maintained in and around our properties. This includes ongoing monitoring and testing at existing assets and regular training provided to both employees and service providers. We apply comprehensive work health and safety programs and enforce compliance requirements by site contractors and employees, in accordance with Dexus's ISO 45001 certified Occupational Health and Safety Management System. We engage external consultants to identify and remediate health and safety issues relating to the fabric of properties across the portfolio, including facades. We maintain a business continuity management framework to mitigate safety threats, including the adoption of plans relating to crisis management, business continuity and emergency management. Responsiveness at each property is regularly tested through scenario exercises. Key performance indicators for reporting and resolution of security issues are embedded into contractor agreements at Dexus-managed assets.
Financial **Properties** **Customers and communities**	We have processes in place to monitor and manage performance and risks that may impact on performance. Our strategy and risk appetite are approved annually by the Board and reviewed throughout the year by management. The Investment Committee is responsible for the consideration, approval or endorsement, subject to delegated authority, of material investment decisions. Detailed due diligence is undertaken for all investment and divestment proposals, developments and major capital expenditure before approval or endorsement of each investment decision. We have a high-quality office portfolio with scale in key Australian CBDs and a diversified development pipeline across sectors and locations. Major capital projects are monitored by control groups to assess delivery and performance outcomes.
Financial	Our prudent management of capital, including regular sensitivity analysis and periodic independent reviews of the Treasury Policy, assists in positioning Dexus's balance sheet in relation to unexpected changes in capital markets. We maintain a strong balance sheet with diversified sources of capital. Ongoing monitoring of capital management is undertaken to ensure metrics are within risk appetite thresholds benchmarks and/or limits outlined within the Treasury Policy. Further information relating to financial risk management is detailed in Note 12 of the Financial Statements.

Key risks

We foster a culture that supports employees to deliver the group's purpose of creating spaces where people thrive.

Key risk	Potential impacts
Third party capital partners Wholesale partner of choice for third party capital.	– Change in strategy and/or capacity of existing third party capital partners – Inability to attract new third-party capital partners – Loss of confidence in governance structure and service delivery – Loss of funds management income
Cyber security and data governance Ability to access, manage and maintain systems and respond to major incidents including data loss, cyber security threats or breaches to information systems.	– Lack of resilience in our response to cyber security threats – Impact to our customers and/or funds management partners – Loss of broader community confidence – Financial losses
Climate change Commitment to climate resilience and responding to the impacts of climate change.	– Increased costs associated with physical risks (e.g. asset damage from extreme weather) – Increased costs associated with transition risks (e.g. carbon regulation, requirements for building efficiency)
Compliance and regulatory Market leading governance and compliance.	– Sanctions impacting on business operations – Reduced investor sentiment (equity and debt) – Loss of broader community confidence – Increased compliance costs
Corporate culture Ability to maintain a respectful, open and inclusive culture which reflects our values and embraces diversity of thought.	– Decreased business performance – Inappropriate conduct leading to reputational or financial loss – Poor employer branding leading to inability to attract talent – Regrettable employee turnover and associated increased costs – Reduced investor sentiment (equity and debt)
Talent and capability Ability to attract and retain the best talent to deliver business results.	– Decreased business performance – Negative impact to customer relationships – Decline in workforce productivity – Increased workforce costs – Loss of corporate knowledge and experience

Link to key resources	How Dexus is responding
Financial **Properties** **Customers and communities**	Our funds management model includes strong governance principles and processes designed to build and strengthen relationships with existing and new third party capital partners. Our active approach to engagement across the business enables employees to understand the interests of third party capital partners and design strategies to maintain partner satisfaction. Our funds management team also undertakes a periodic client survey to understand perceptions and identify areas for improvement.
People and capabilities	We aim to have the most efficient systems and processes, including financial accounting and operational systems. Regular review of policies and procedures on information security are undertaken and align to the National Institute of Standards and Technology (NIST) Cyber Security Framework. We have comprehensive Business Continuity and Disaster Recovery plans in place which are tested annually. Regular training, testing and disaster recovery activities are conducted, along with the employment of data security software, to assist in reducing the risk of threats or breaches to data.
Environment	We use scenario analysis to understand the broad range of climate-related issues that may impact our business and focus on enhancing the resilience of our properties while implementing energy efficiency initiatives and renewable energy projects. Dexus's approach to climate change risk management is disclosed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures across our Annual Reporting Suite (see page 55 in the 2020 Sustainability Report for an index).
People and capabilities	Our compliance monitoring program supports our comprehensive compliance policies and procedures that are regularly updated to ensure the business operates in accordance with regulatory expectations. Our employees and service providers receive training on their compliance obligations and are encouraged to raise concerns where appropriate. We maintain grievance, complaints and whistleblower mechanisms for employees and stakeholders to safely, confidently and anonymously raise concerns. Independent industry experts are appointed to undertake reviews where appropriate.
People and capabilities	We foster a culture and employee experience that aligns and continually reinforces the group's purpose statement; including our aspirations, values and behaviours. Our employee listening strategy enables employees to provide real-time feedback on their experience, as well as anecdotal and anonymous feedback via regular pulse surveys throughout the year. Insights gained are used to understand organisational culture and identify potential challenges that may require additional focus. Psychological safety and inclusion are central to the design of employee experiences, policies and protocols. We invest in our employees' development and reward their achievement of sustainable business outcomes that add value to our stakeholders.
People and capabilities	We aim to attract, develop and retain an engaged and capable workforce that can deliver our business results both today and in the future. Professional development is undertaken at all organisational levels to drive continuous learning and engagement of our employees. Talent reviews are conducted at regular intervals to monitor and respond to emerging talent risks and opportunities and to inform succession plans for key and critical roles. External talent mapping is undertaken for critical roles.

Financial

Our conservative management of financial capital underpins the delivery of superior risk-adjusted returns to investors.

Board focus

Financial performance is a key focus area for the Board and Board Audit Committee. In FY20, the Board and Board Audit Committee were involved in:

- Considering and approving Dexus's financial reports, audit reports, market guidance, distribution details, funding requirements and liquidity, as well as property portfolio valuation movements
- Approving the group's Financial KPIs and scorecard, in addition to annual and half year results materials
- Approving the group's capital management activities

Learn more

To learn more about our progress against our FY20 Sustained Value approach and commitments, refer to the 2020 Sustainability Report available at www.dexus.com

Strategy

Our strategy contributes to the generation of long-term and sustainable returns. The balance sheet investment strategy remains focused on:

- Activating and investing in the development pipeline
- Supporting growth initiatives in our funds management business
- Selective core asset acquisitions which provide potential to unlock additional value in the future, and
- Selective divestments of non-core and lower returning assets to optimise the property portfolio composition

In addition, we maintain diverse sources of capital, adequate liquidity and headroom and conservative gearing, providing resilience during periods of uncertainty.

Earnings drivers

Our earnings drivers comprise three key areas:

- **Property portfolio:** the largest driver of financial value, comprising the Dexus owned office and industrial portfolio
- **Funds management:** providing access to wholesale sources of financial capital and a steady annuity-style income stream
- **Trading:** packaging and sale of properties to generate trading profits

How we measure financial performance

When measuring financial performance, we focus on growth in Adjusted Funds From Operations (AFFO) and distributions per security, as well as Return on Contributed Equity to measure the returns achieved for our Security holders.

Group performance

The challenges presented by COVID-19 reinforced our focus on maintaining a strong balance sheet and liquidity levels, progressing funds management initiatives and development projects, while securing cash flows to maintain a distribution per security amount that was consistent with FY19.

The FY20 result was resilient, with high portfolio occupancy maintained, and minimal impact on asset valuations, while the strength of our financial position was maintained.

We have actively supported the viability of our customers most affected by the crisis through the provision of rent relief, and these actions impacted our financial result for the year which, until the last quarter, was tracking ahead of expectations.

In early February 2020, we upgraded our guidance to circa 5.5% growth in distribution per security. However, given the uncertain environment caused by the crisis, this guidance and associated assumptions were withdrawn in late March 2020.

At the beginning of June 2020, when there was clarity on cash flows, revised FY20 guidance was provided for a distribution that was consistent with FY19 and in line with AFFO, and we have delivered on that guidance.

Case study

Active approach strengthens financial position

Dexus's prudent and active approach to capital management further strengthened its financial position leading into the COVID-19 crisis.

Dexus enhanced its financial position, increasing debt duration to 6.9 years and further diversifying funding sources through the following activities:

- Issuing $700 million of Medium-Term Notes with 10 and 12-year tenors
- Arranging additional bank debt facilities totalling $1.15 billion with a weighted average tenor of 5.2 years (including $650 million since the beginning of March 2020)

Throughout FY20, Dexus remained focused on preserving capital while selectively investing in assets with solid fundamentals and divesting non-core or lower returning assets, including Garema Court in Canberra and 45 Clarence Street in Sydney at its December 2019 book value (subject to FIRB approval).

As a result of these activities, Dexus continued to maintain a strong and conservative balance sheet with gearing (look-through)[1] at 24.3%, well below Dexus's target range of 30-40%, and $1.6 billion of cash and undrawn debt facilities.

In an uncertain environment, Dexus remains focused on maintaining the strength of its balance sheet.

1. Adjusted for cash and debt in equity accounted investments. Proforma gearing includes proceeds and payments for transactions post 30 June 2020 that are expected to settle before 30 September 2020 including the divestment of Finlay Crisp Centre, Canberra, 201 Elizabeth Street, Sydney and 45 Clarence Street, Sydney (subject to FIRB approval), the acquisition of Edward Street, Brisbane (Hermes), payment of Dexus's share of deferred settlement amounts for 80 Collins Street, Melbourne, the industrial property acquisitions of 37-39 Wentworth Street, Greenacre and the Ford Facility at Merrifield Business Park, Mickleham. All other transactions post 30 June 2020 are excluded. Look-through gearing at 30 June 2020 was 26.3%.

Sustained Value

50.3cents
Distribution per security
FY19: 50.2 cents

50.3cents
AFFO per security
FY19: 50.3 cents

9.0%
Return on contributed equity
FY19: 10.1%

Future focus

- **Deliver a distribution in line with free cash flow in FY21**
- **Maintain a strong balance sheet while further diversifying debt**

Financial

Group performance (cont'd)

The reduction in distribution per security growth from February to June 2020 was driven by:

- COVID-19 impacts of -6.6%, including rent waivers provided to small and medium enterprise customers (SMEs) per the Code of Conduct and provision for expected credit losses of -4.7% or $26 million
- Other items of -0.8%

partly offset by:

- A number of non-recurring cost reduction measures implemented in response to COVID-19 including annual leave initiatives, a freeze on recruitment and non-essential consultancy spend and temporary reductions in remuneration of +2.1%

Net profit after tax was $983.0 million, down 23.3% on the prior year. This movement was primarily driven by net revaluation gains of investment properties of $612.4 million, which were $160.7 million lower than FY19. These revaluation gains primarily drove the 38 cent or 3.6% increase in net tangible asset (NTA) backing per security to $10.86 at 30 June 2020.

Underlying Funds from Operations per security of 63.5 cents, which excludes trading profits, grew by 1.0%, despite the impact of rent relief provided, highlighting the contribution from the funds management business and non-recurring cost reduction measures.

Operationally, Adjusted Funds From Operations (AFFO) was $33.3 million or 6.4% higher than the prior year. AFFO and distribution per security of 50.3 cents was consistent with the prior year due to the impact of COVID-19, with the distribution payout ratio remaining in line with free cash flow in accordance with Dexus's distribution policy. FFO, excluding maintenance capex and incentives, was $48.7 million higher than the prior year and underlying FFO, excluding trading profits, was $48.1 million higher than the prior year.

Key AFFO movements include:

- Property FFO of $795.6 million driven by fixed rental increases, development completions and the acquisition of 80 Collins Street and MLC Centre Sydney in FY19, partly offset by the divestment of property interests associated with the DALT portfolio and COVID-19 impacts
- Management operations FFO of $71.5 million increased predominantly as a result of new funds, acquisitions, development completions and non-recurring cost reduction measures
- Net finance costs of $127.4 million increased primarily due to the cessation of capitalising interest at key development projects
- Trading profits of $35.3 million (net of tax) materially in line with the prior year

We achieved a ROCE for FY20 of 9.0% driven largely by AFFO and revaluation gains from completed developments at 240 St Georges Terrace in Perth and the city retail component of 175 Pitt Street, Sydney.

Rent collections for the Dexus portfolio were strong at 98% in FY20, with 92% collected in the fourth quarter of FY20.

The external independent valuations have resulted in a total estimated $612.4 million or circa 3.9% increase on prior book values for the 12 months to 30 June 2020, with strong uplift of $724.4 million in the December 2019 half and minimal devaluations of $112.0 million in the June 2020 half. The lower for longer interest rate environment and investment demand for quality office and industrial properties continues to support the values of our properties. The sale of 45 Clarence Street, Sydney (subject to FIRB approval) in June 2020, at the asset's 31 December 2019 book value (pre the onset of COVID-19), supports the strong investment demand for prime quality office assets in the Sydney CBD. The full year valuation uplift was driven by the Sydney office portfolio.

Primarily as a result of these valuations our net tangible asset backing (NTA) per security increased 62 cents from 30 June 2019 to 31 December 2019 and then decreased 24 cents to 30 June 2020.

Valuation movements	Total FY20	30 Jun 2020	31 Dec 2019
Office portfolio	↑ $490.6m	↓ $131.7m	↑ $622.3m
Industrial portfolio	↑ $111.4m	↑ $22.6m	↑ $88.8m
Total portfolio[1]	**↑ $612.4m**	**↓ $112.0m**	**↑ $724.4m**
Weighted average capitalisation rate	**30 Jun 2020**	**30 Jun 2019**	**Change**
Office portfolio	4.97%	5.15%	↓ 18 bps
Industrial portfolio	5.66%	5.92%	↓ 26 bps
Total portfolio	**5.05%**	**5.26%**	**↓ 21 bps**

1. Including healthcare and leased asset revaluation gain of $10.4 million for FY20.

100 Mount Street,
North Sydney

We continued to maintain a strong financial position with low gearing and enhanced liquidity.

Key financials	FY20	FY19	Change
Funds From Operations (FFO) ($m)	730.2	681.5	7.1%
Net profit after tax ($m)	983.0	1,281.0	(23.3)%
AFFO per security (cents)	50.3	50.3	–
Distribution per security (cents)	50.3	50.2	0.2%
ROCE (%)	9.0	10.1	(1.1) ppt
Net tangible asset backing per security ($)	10.86	10.48	3.6%
Gearing (look-through)[1] (%)	24.3[2]	24.0	0.3 ppt

Total property FFO **88%**

- Office property FFO **74%**
- Industrial property FFO **14%**
- Management operations **8%**
- Trading profits (net of tax) **4%**

1. FFO is calculated before finance costs, group corporate costs and other (including tax).

FFO composition	FY20 $m	FY19 $m	Change %
Office property FFO	671.4	610.5	10.0
Industrial property FFO	124.2	137.3	(9.5)
Total property FFO	**795.6**	**747.8**	**6.4**
Management operations[3]	71.5	54.6	31.0
Group corporate	(33.0)	(30.2)	9.3
Net finance costs	(127.4)	(117.1)	8.8
Other (including tax)	(11.8)	(8.3)	42.2
Underlying FFO	**694.9**	**646.8**	**7.4**
Trading profits (net of tax)	35.3	34.7	1.7
FFO	**730.2**	**681.5**	**7.1**

1. Adjusted for cash and debt in equity accounted investments.
2. Proforma gearing includes proceeds and payments for transactions post 30 June 2020 that are expected to settle before 30 September 2020 including the divestment of Finlay Crisp Centre, Canberra, 201 Elizabeth Street, Sydney and 45 Clarence Street, Sydney (subject to FIRB approval), the acquisition of Edward Street, Brisbane (Hermes), payment of Dexus's share of deferred settlement amounts for 80 Collins Street, Melbourne, the industrial property acquisitions of 37-39 Wentworth Street, Greenacre and the Ford Facility at Merrifield Business Park, Mickleham. All other transactions post 30 June 2020 are excluded. Look-through gearing at 30 June 2020 was 26.3%.
3. Management operations income includes development management fees and in FY19 includes bidding costs for a development opportunity.

Financial

Statutory profit reconciliation	FY20 $m	FY19 $m
Statutory AIFRS Net profit after tax	**983.0**	**1,281.0**
(Gains)/losses from sales of investment property	(0.1)	(1.8)
Fair value gain on investment property	(612.4)	(773.1)
Fair value loss on the mark-to-market of derivatives	2.5	(109.4)
Incentives amortisation and rent straight-line[1]	127.5	116.8
Non-FFO tax expense	3.3	15.7
Other unrealised or one-off items	226.4	152.3
Funds From Operations (FFO)[2]	**730.2**	**681.5**
Maintenance capital expenditure	(59.1)	(63.2)
Cash incentives and leasing costs paid	(41.9)	(37.6)
Rent free incentives	(78.7)	(63.5)
Adjusted Funds From Operations (AFFO)[3]	**550.5**	**517.2**
Distribution	**550.3**	**529.0**
AFFO Payout ratio (%)	100.0	98.7[4]

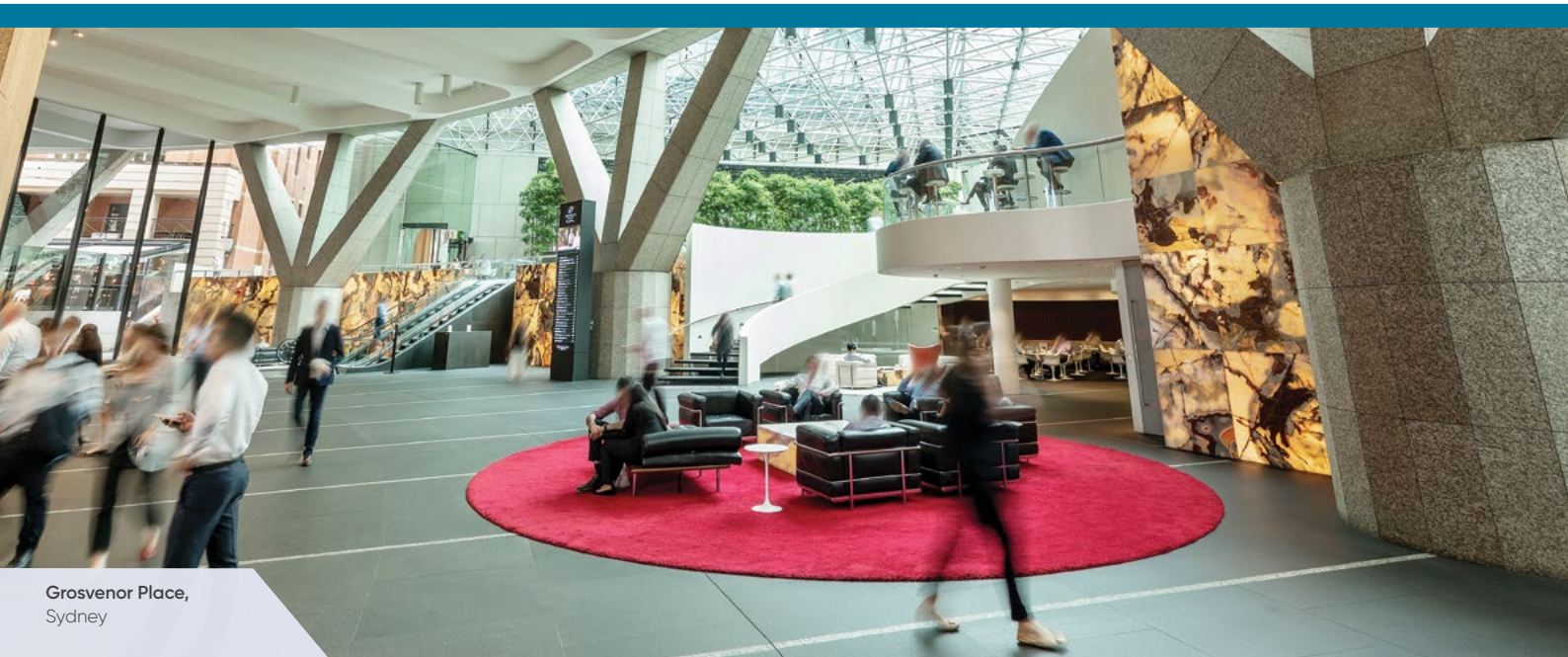
1. Including cash, rent free and fit out incentives amortisation.
2. Including Dexus share of equity accounted investments.
3. AFFO is in line with the Property Council of Australia definition.
4. FY19 distribution payout ratio has been adjusted to exclude the $18.3 million of distributions paid on new securities issued through the Institutional Placement and Security Purchase Plan announced on 2 May 2019, which were fully entitled to the distribution for the six months ending 30 June 2019. The distribution payout ratio was 102.3% including this amount.

Group outlook

Overall Australia is fairing better than most developed nations in flattening the COVID-19 infection curve.

While underemployment and weak wages growth will be a drag on economic growth, positives for the economy are high levels of federal and state stimulus (more than 13.3% of GDP), ongoing levels of infrastructure investment and low interest rates. Consumer and business confidence have improved off the lows of April 2020.

We are preparing for a U-shaped recovery where economic growth remains soft through FY21 before improving. However, the depth and duration of the slowdown is uncertain.



Grosvenor Place,
Sydney

Property portfolio performance

We remained focused on maximising the performance of the property portfolio through maintaining high occupancy, with the property portfolio contributing to 88% of FFO in FY20.

Office portfolio performance

During the year, we leased 88,467 square metres of office space across 207 transactions, as well as 26,403 square metres of space across office developments, locking in future income streams.

The office portfolio was performing well leading into the crisis with high occupancy and significant leasing success, including our leasing focus at 80 Collins Street which achieved record rents and set new benchmarks for the Melbourne CBD.

In the current environment, office leasing enquiry levels have fallen and inspection rates have slowed, however occupancy has remained high at 96.5%. Lead indicators point to a period of uncertainty in the Australian office market, with demand across the major CBD markets likely to be patchy in the short term.

In times of uncertainty, high-quality and well-leased assets can be expected to hold their value better than lower-quality assets due to their appeal to both occupants and purchasers as well as their relative scarcity. At 30 June 2020, Prime grade[1] buildings comprised 94% of our office portfolio.

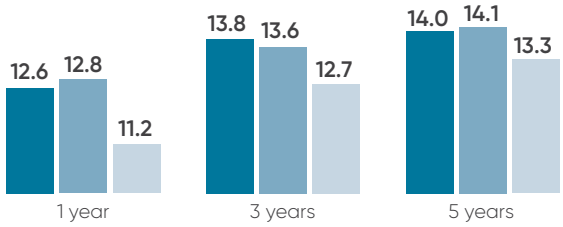
Office portfolio occupancy of 96.5% was lower than the 30 June 2019 occupancy of 98.0% due to leases expiring at MLC Centre, 60 Castlereagh Street and Grosvenor Place in Sydney.

Average incentive levels increased mainly due to a greater proportion of leasing undertaken in the Brisbane and Perth markets, with face deals also representing a higher proportion of leasing.

Office portfolio like-for-like income growth was +2.4% (FY19: +3.4%), impacted by rent relief measures and a provision for expected credit losses. Excluding this, like-for-like income growth was +4.7%. The Dexus office portfolio outperformed its benchmark over the one, three and five-year time periods to 31 March 2020.

1. Stabilised assets only. Excludes development-affected assets and land.

Office portfolio vs PCA/MSCI office index at 31 March 2020[1] (% p.a.)



- Dexus office portfolio
- Dexus group office portfolio
- PCA/MSCI Office Index

1. Period to 31 March 2020 which reflects the latest available PCA/MSCI Australia Annual Property Index.

Office portfolio key metrics

96.5%
Occupancy
FY19: 98.0%

4.2yrs
WALE
FY19: 4.4 years

88,467sqm
Space leased[1]

+2.4%
Effective LFL income[2]
FY19: +3.4%

17.1%
Average incentives[1]
FY19: 13.4%

1. Excluding development leasing.
2. Excluding rent relief measures and a provision for expected credit losses effective LFL growth is +4.7%.

Financial

380 Dohertys Road,
Truganina

Industrial portfolio performance

Dexus manages a growing, high-quality $5.0 billion[1] group industrial portfolio, $2.2 billion of which sits in the Dexus portfolio.

During the year, we leased 181,472 square metres of industrial space across 95 transactions, with the portfolio continuing to benefit from an uptick in logistics and e-commerce demand with non-discretionary and online retail sectors experiencing growth through the crisis.

Portfolio occupancy remains high at 95.6% however was lower than FY19 of 97.0%, primarily due to vacancy at Axxess Corporate Park. Industrial portfolio like-for-like income growth was -2.1% (FY19: +2.5%), impacted by expiries at Axxess Corporate Park in addition to rent relief measures and a provision for expected credit losses. Excluding this, like-for-like income growth was +0.1%. The Dexus industrial portfolio outperformed its benchmark over the one, three and five year time periods to 31 March 2020.

1. Including acquisitions post 30 June 2020 (on completion value).

Property market outlook

Australia's office markets face headwinds in the short term. The demand outlook is clouded by a lull in decision making by companies which currently have the majority of their workforce working remotely and are still trying to gauge the COVID-19 pandemic's effects on their business before making decisions about head count and office requirements. Leading indicators such as job advertisements and business confidence have declined.

In the absence of a turnaround in demand, the office sector is likely to experience further rises in vacancy in FY21 due to the levels of new office stock due for completion. Net effective rents eased nationally in the June quarter on the back of rising incentives.

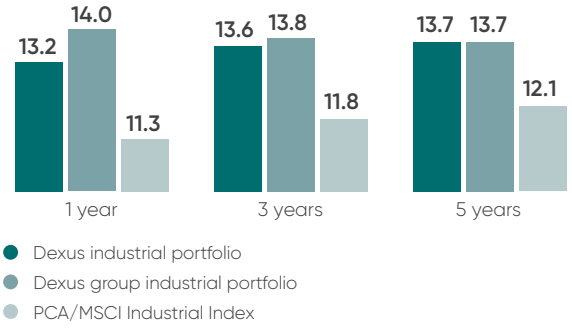
Office markets are cyclical due to the sensitivity of demand to the economic cycle, so periods of negative net absorption are not unusual. Lease structures help protect income through these periods. Looking forward, the effects of the pandemic on employment and the speed of recovery of the economy will be critical for the outlook.

Long term office demand will continue to benefit from employment growth. While Deloitte Access Economics forecast a 1.3% contraction in employment in FY21, they project 1.9% per annum growth in the years from FY22 to the end of the decade.

Demand in the industrial sector has been driven by defensive occupiers including food and beverage retailers, e-commerce groups, transport and logistics providers, data centres, cold storage and pharmaceuticals. Other businesses have tended to place their leasing decisions on hold due to the ongoing uncertainty. Retail businesses with pre-existing e-commerce channels have enjoyed accelerated levels of growth over the past few years, resulting in companies looking to expand their footprint or seek more efficient premises.

Industrial construction remains relatively strong on the back of a continuing level of pre-commitment, much of it negotiated pre-COVID-19. There is a significant amount of speculative development still to be leased, however the overall market vacancy rate is expected to remain relatively low.

Dexus industrial portfolio vs PCA/MSCI Industrial Index at 31 March 2020[1] (% p.a.)



1. Period to 31 March 2020 which reflects the latest available PCA/MSCI Australia Annual Property Index.

Industrial portfolio key metrics

95.6%
Occupancy
FY19: 97.0%

4.1yrs
WALE
FY19: 4.7 years

181,472sqm
Space leased

-2.1%
Effective LFL income[1]
FY19: +2.5%

13.4%
Average incentives
FY19: 11.7%

1. Excluding one off income in addition to rent relief measures and a provision for expected credit losses. Excluding this, like-for-like income growth was +0.1%.

Funds management performance

Our strategic objective of being the wholesale partner of choice in Australian property and track record of driving investment performance enables us to attract third party capital partners to invest alongside through the cycle.

Dexus manages $15.5 billion of funds on behalf of 77 third party clients, with acquisitions, developments and revaluations contributing to management operations FFO in FY20.

Dexus remains an attractive Australian real estate partner of choice across the office, industrial, retail and healthcare sectors and we continued to attract new capital during the year.

During the year GIC exercised its option to acquire an additional 24% interest in DALT, bringing its total share to 49% and entered into a new commercial Joint Venture (JV) with Dexus that acquired 50% of Rialto Towers in Melbourne. GIC holds a 90% share in the JV and Dexus holds the remaining 10%. Dexus is the investment manager of the JV and has been appointed as the manager of the entire Rialto Towers complex.

HWPF welcomed two new investors, completed the development of the new Calvary Adelaide Hospital, and acquired the North Shore Health Hub, Stage 1 currently under development at 12 Frederick Street, St Leonards.

The funds platform raised circa $955 million of equity for new and existing funds, including DWPF which raised circa $240 million from existing investors to fund its future development pipeline. DWPF continues to outperform its benchmark over 1, 3, 5, 7 and 10 years and HWPF continued to deliver strong performance achieving a one-year return of 10.9%. All partnerships have performed well, exceeding their return objectives for the year.

The loss of the management of the $2.0 billion Australian Mandate portfolio managed on behalf of the NSW Treasury Corporation from 30 June 2020 resulted in cost cutting including some job closures across the group to minimise the impact of reduced fee revenue. Dexus managed the Australian Mandate for more than 30 years and it achieved outperformance versus benchmark over 5, 7 and 10 years to 30 June 2020.

Post 30 June 2020, DALT entered into agreements to acquire six trading assets for $269.4 million and two industrial properties at Mickleham in Victoria and Greenacre in New South Wales for a combined price of $173.5 million. In addition, HWPF exchanged contracts to acquire a modern healthcare facility in Brisbane for $36.5 million.

Funds management outlook

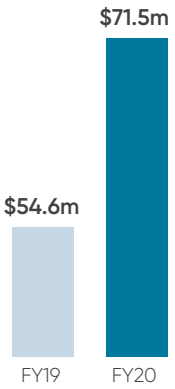
Our funds management business's current exposure is 59% to office properties, 17% to industrial properties, 21% to retail properties and 3% to healthcare properties.

Office and industrial property performance is expected to be influenced by the key leading indicators described on page 32.

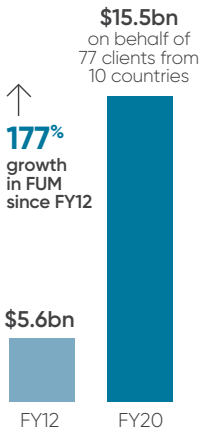
Australian retail spending was up 8.5% for the 12 months to June 2020 compared to the previous year. This follows a significant pick up in spending in May 2020 and the impact of stores re-opening as restrictions continued to ease throughout June. Turnover growth in convenience based centres has benefitted from people's preference to shop locally. Supermarkets and Discount Department Stores continue to perform well. Conversely, turnover growth in larger shopping centres has been constrained by greater reliance on discretionary categories like fashion, restaurants and entertainment. City retail remains weak, held back by the absence of office workers, tourists and university students. The outlook for FY21 is for further volatility in retail sales numbers and continued outperformance by non-discretionary categories and online retailing.

Demand for healthcare services will continue to benefit from ageing demographics, longer life expectancy and population growth. In the current environment, COVID-19 has highlighted the role of high-quality healthcare infrastructure and the sector tends to be resilient to downturns.

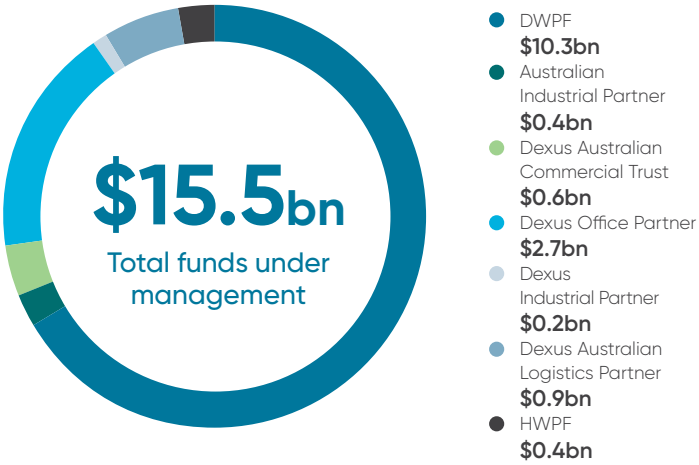
Management operations FFO



Funds management growth



Funds management portfolio



Financial

Trading performance

Trading is a capability that involves the identification of opportunities, repositioning to enhance value, and realising value through divestment.

Trading properties are either acquired with the direct purpose of repositioning or development, or they are identified in Dexus's existing portfolio as having value-add potential and subsequently transferred into the trading trust to be repositioned, and then sold.

We realised $35.3 million of trading profits (net of tax) in FY20, driven by the sale of the initial 25% of 201 Elizabeth Street in Sydney and progress at the North Shore Health Hub in St Leonards, currently under construction and sold to HWPF on a fund-through basis.

The fund-through sale of North Shore Health Hub is expected to contribute further trading profits in FY21 with the amount dependent on the progress of the development and leasing. Post 30 June 2020, we entered into agreements to sell a portfolio of six trading assets to DALT across two tranches and exercised the option to sell the remaining 25% interest in 201 Elizabeth Street. These transactions (including the North Shore Health Hub) are expected to contribute circa $85 million to pre-tax trading profits across FY21 and FY22 (in the event the options over the second tranche are exercised).

Financial position

Financial position

- Total look-through assets increased by $1,192 million primarily due to $822 million of acquisitions, development capital expenditures and $612 million of property valuation increases, partially offset by $612 million of divestments
- Total look-through borrowings increased by $836 million due to funding required for acquisitions as well as development capital expenditure partly offset by divestments
- Total number of securities on issue decreased slightly following the on-market buy-back

Financial Position

	30 Jun 2020 $m	30 Jun 2019 $m
Office investment properties	14,171	13,193
Industrial investment properties	2,233	2,337
Healthcare investment properties	140	86
Other[1]	1,124	860
Total tangible assets	**17,668**	**16,476**
Borrowings	(5,067)	(4,231)
Other liabilities	(750)	(751)
Net tangible assets	**11,851**	**11,494**
Total number of securities on issue	1,091,202,163	1,096,857,665
NTA ($)	**10.86**	**10.48**

1. Adjusted for cash and debt in equity accounted investments. Excludes the $73.2 million deferred tax liability on management rights.

Capital management metrics

Key metrics	30 Jun 2020	30 Jun 2019
Gearing (look-through)[1] (%)	24.3[2]	24.0
Cost of debt[3] (%)	3.4	4.0
Duration of debt (years)	6.9	6.7
Hedged debt[4] (incl caps) (%)	78	74
S&P/Moody's credit rating	A-/A3	A-/A3

1. Adjusted for cash and debt in equity accounted investments.
2. Proforma gearing includes proceeds and payments for transactions post 30 June 2020 that are expected to settle before 30 September 2020 including the divestment of Finlay Crisp Centre, Canberra, 201 Elizabeth Street, Sydney and 45 Clarence Street, Sydney (subject to FIRB approval), the acquisition of Edward Street, Brisbane (Hermes), payment of Dexus's share of deferred settlement amounts for 80 Collins Street, Melbourne, the industrial property acquisitions of 37-39 Wentworth Street, Greenacre and the Ford Facility at Merrifield Business Park, Mickleham. All other transactions post 30 June 2020 are excluded. Look-through gearing at 30 June 2020 was 26.3%.
3. Weighted average for the year, inclusive of fees and margins on a drawn basis.
4. Average for the year. Hedged debt (excluding caps) was 55% for the 12 months to 30 June 2019 and 62% for the 12 months to 30 June 2020.

Rialto Towers,
Melbourne

Capital management

We continued to maintain a strong and conservative balance sheet with gearing (look-through)[1] of 24.3%, well below our target range of 30-40%, and were able to source additional liquidity over the year, strengthening our position.

Over the year, we enhanced our liquidity by raising $1.85 billion of debt, increased debt duration to 6.9 years and further diversified our funding sources. We have circa $300 million of debt expiries in late FY21 and limited development commitments of circa $180 million remaining to spend until the end of FY22.

We remain within all of our debt covenant limits and continue to retain our strong credit rating of A-/A3 from S&P and Moody's respectively.

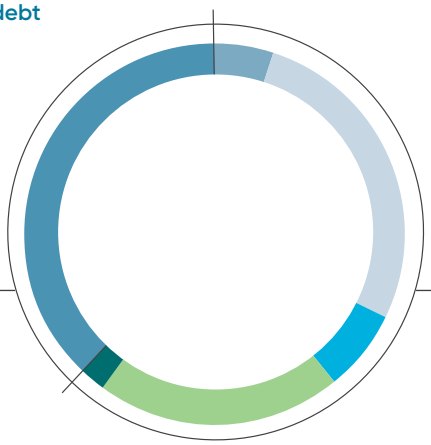
We divested Garema Court, Canberra and 45 Clarence Street, Sydney (subject to FIRB approval) during the year and made a number of smaller acquisitions and will continue to allocate capital into opportunities where we see value. Post 30 June 2020, the divestment of Finlay Crisp Centre in Canberra settled.

Our strong balance sheet provides resilience during this period of uncertainty, as well as the capacity to fund projects in our current and future development pipeline.

We announced an on-market securities buy-back program on 23 October 2019 for up to 5% of securities. Throughout the year, we acquired 5,655,502 securities for $62 million at an average price of $10.96 under the on-market buy-back program.

1. Proforma gearing includes proceeds and payments for transactions post 30 June 2020 that are expected to settle before 30 September 2020 including the divestment of Finlay Crisp Centre, Canberra, 201 Elizabeth Street, Sydney and 45 Clarence Street, Sydney (subject to FIRB approval), the acquisition of Edward Street, Brisbane (Hermes), payment of Dexus's share of deferred settlement amounts for 80 Collins Street, Melbourne, the industrial property acquisitions of 37-39 Wentworth Street, Greenacre and the Ford Facility at Merrifield Business Park, Mickleham. All other transactions post 30 June 2020 are excluded. Look-through gearing at 30 June 2020 was 26.3%.

Diversified sources of debt



- Bank Facilities **38%**
- Commercial Paper **2%**
- MTN **21%**
- Exchangeable Notes **7%**
- USPP **27%**
- 144A **5%**

38%
Bank debt

62%
Debt capital markets

Properties

As a real estate group, our properties are central to our value creation framework.

Board focus

From a property perspective, the Board approves acquisitions, divestments and developments. In FY20, the Board approved:

- Acquiring a 50% interest in Rialto Towers as part of an office JV with GIC (Dexus holds a 10% interest in the JV)
- Acquiring 171 Edwards Street, Brisbane
- Acquiring Homemaker Centre, Prospect
- Divesting Garema Court, Canberra
- Divesting 45 Clarence Street, Sydney
- Divesting six trading assets post 30 June including five industrial properties at Truganina and Lakes Business Park South, Botany to DALT
- Acquiring the Ford Facility at Merrifield Business Park, Mickleham and 37-39 Wentworth Street, Greenacre for DALT
- Activating five industrial development projects at South Granville, Truganina, Ravenhall, Richlands and Botany

Learn more

To learn more about our progress against our FY20 Leading Cities commitments, refer to the 2020 Sustainability Report available at www.dexus.com

Dexus owns and manages a portfolio of high-quality, sustainable properties located in the key CBDs around Australia. Underpinned by our customer-centric approach, we utilise our asset and property management expertise to optimise building efficiency and maintain high occupancy levels. Further value is unlocked by activating development opportunities which, in turn, enhances portfolio quality and our capacity to meet the growing demands of customers.

Contributing to Leading Cities

An investment in Dexus is an investment in Australia's cities. Our property portfolio is concentrated in the CBDs of Australia's major cities and we believe these locations are where our customers want and need to be.

We are Australia's largest owner and manager of prime office property with 1.8 million square metres of office space spanning 51 office properties, covering the central business districts of Sydney, Melbourne, Brisbane and Perth. One of the key megatrends influencing our business model is urbanisation. This is consistent with our strategy which is centred on delivering superior returns from high quality real estate located in Australia's major cities.

Cities around the world are just one third of their way through a 100-year cycle of urbanisation. In Australia, this is supported by the expectation for strong long-term population growth and record levels of infrastructure investment to support our cities' accessibility, liveability and sustainability as they grow.

Australia's major cities contribute around 80% to national GDP. The CBDs are the engine room for most of this economic activity, supporting hundreds of thousands of businesses and millions of jobs. Our focus on investing in cities means that our value creation potential is closely linked to the success of Australia's major cities which are recognised for their amenity, ease of access, and place to do business.

Our leasing efforts drive portfolio occupancy which is a key contributor to cash flow optimisation. In FY20, the Sydney and Melbourne office markets drove strong leasing activity and we maintained high occupancy of the Dexus office portfolio at 96.5% (FY19: 98.0%) and the Dexus industrial portfolio at 95.6% (FY19: 97.0%).

There is a mutual relationship between the growth drivers of cities and our role in shaping our cities for the future as desirable places to live, work and play. Our experience in developing high quality office and industrial properties across Australian cities has demonstrated the value of securing development sites with a long-term focus on creating value.

The group's $10.6 billion development pipeline includes a number of city-shaping projects. This pipeline provides us with the opportunity to enhance future returns by growing the core property portfolio and those portfolios managed on behalf of our third party capital partners, while contributing to job creation and economic growth.

Our approach towards Leading Cities involves:

- Developing world-class office properties that deliver customer focused, sustainable workspaces and which enhance the amenity and vibrancy of CBDs
- Developing high quality industrial facilities to meet the growing demands of e-commerce business and other growth industries
- Contributing to the long-term viability of cities by integrating sustainable outcomes into developments
- Building mutual city partnerships through collaboration with industry associations

80 Collins Street, Melbourne

Case study

Expanding our Melbourne footprint

Dexus expanded its footprint in the core of the Melbourne CBD through establishing a new joint venture with a third party capital partner to acquire an iconic office building, progressing developments and attracting new customers, enhancing and embedding future value for investors.

In FY20, Dexus established a new Joint Venture with GIC that acquired a 50% interest in Rialto Towers at 525 Collins Street in Melbourne. Rialto Towers is a prime-grade, 55 storey building and is one of the largest office buildings in Melbourne's CBD. The property is expected to benefit from the positive supply-demand dynamics of Melbourne's office market over the long- term.

The 'Paris end' of the Melbourne CBD is a prominent precinct of the city, with Dexus progressing key city projects at 80 Collins Street, 60 Collins Street, and 180 Flinders Street, due for completion in late August.

80 Collins Street

- 80 Collins is a large-scale project comprising two office towers, a luxury retail precinct and a boutique hotel
- The site was acquired in May 2019 on a development fund-through basis and will deliver a completed project with the leasing of vacant space being undertaken by Dexus
- The 38-level premium office tower (South Tower) achieved Interim Completion July 2020 and is 95% committed, attracting quality tenants including Herbert Smith Freehills (HSF), Macquarie Bank, McKinsey & Company and DLA Piper
- The existing North Tower is currently 100% occupied

60 Collins Street

- 60 Collins Street comprises 52 and 60 Collins Street which were acquired by Dexus in October 2018, providing the unique opportunity to consolidate the two adjacent sites to create modern office space and quality amenity to a prominent section of Collins Street
- Dexus received Development Approval from the Victorian Government to unlock this unique opportunity to deliver approximately 27,100 square metres of Premium grade office space over 25 levels
- As part of the development, the heritage listed terrace at 52 Collins Street will be retained, and a new through lobby connection will establish a link between Collins and Little Collins Street

180 Flinders Street

- 180 Flinders Street is an existing property that was identified as a site that could be repositioned through development and leasing
- The development spans circa 20,300 square metres of prime office space and vibrant laneway retail amenity, comprising a new 10-storey A-Grade office tower, extensive refurbishment of the existing buildings at 189 and 180 Flinders Street and restoration of the heritage façade
- Dexus secured John Holland as the anchor tenant in March 2018, and the property is now 72% committed ahead of its completion in late August 2020

Leading Cities

$32.0bn
Value of group property portfolio

96.5%
Dexus office portfolio occupancy

$1.5bn
Gross Value Added (GVA)[1] to the Australian economy

9,227
Construction jobs supported[2]

$10.6bn
Group development pipeline

1. Total Gross Value Added (GVA) includes estimated direct GVA and indirect GVA generated to the economy by developments completed in FY20 and currently underway. Source: Urbis, Dexus.
2. Total construction jobs include direct and indirect employment supported by developments completed in FY20 and currently underway. Source Urbis, Dexus.

Future focus

- **Maintain office portfolio occupancy above the Property Council of Australia market average**
- **Progress city-shaping precinct projects in Sydney, Brisbane, Melbourne and Perth that improve the amenity and vibrancy of Australia's CBDs**
- **Grow industrial precincts to meet the demand for high quality, well-located logistics facilities across the east coast of Australia**
- **Contribute to economic growth through the generation of employment and contribution to GVA from development projects**

Properties

Positioning for the recovery

Office development projects completed during the year in Perth, Melbourne and Sydney have enhanced our portfolio quality and future returns.

In Perth, our Premium office redevelopment at **240 St Georges Terrace** was completed. Located in the heart of the Perth CBD, the redevelopment included a new end-of-trip amenity, refurbished office floors, the introduction of a Dexus Place offering, along with a renewed street entry, improved retail amenities and a new childcare centre.

In Brisbane, we completed construction of **The Annex at 12 Creek Street**. Located in Brisbane's 'Golden Triangle', The Annex is a vertical village offering boutique office space and featuring a rooftop terrace and cascading gardens designed to support customer wellbeing.

In Melbourne, a new 38-level premium office tower which is part of our landmark **80 Collins Street** development achieved Interim Completion in July 2020, together with the new luxury retail and dining destination, which opened progressively from June 2020. **180 Flinders Street** also progressed and is nearing completion, delivering a vibrant new office tower, refurbishment of the existing heritage offices and the building façade fully restored to its former glory.

In Sydney, we progressed the retail redevelopment of the **MLC Centre**, a project that will transform the retail offering over four levels, enhancing the street appeal and community offering in the Sydney CBD. First stage works of the new lobby entrance are complete and the reopening of the Theatre Royal is a step closer following the tenant's (NSW Government) selection of a theatre operator.

We have four uncommitted, longer-dated city-shaping projects in our development pipeline that position us for the recovery. All these projects are on sites where there are currently income producing assets in various stages of planning, and the majority are owned in joint venture with our third party capital partners.

- **60 Collins Street, Melbourne** received development approval from the Victorian Government, providing a unique opportunity to consolidate the two sites to deliver modern office space and quality amenity to a prominent location of Collins Street in the next supply cycle
- **Central Place Sydney** is a commercial development underpinning the delivery of Tech Central, Sydney's new innovation and technology precinct. The project has moved to Stage 3 under the NSW Government's Unsolicited Proposal process and an architect has been appointed following a design excellence competition
- Also in Sydney is the **Pitt and Bridge Precinct** where planning proposal has been drafted for a significant office development located in the financial core of the Sydney CBD for a future supply cycle
- The transformation of the Eagle Street Pier and Waterfront Place precinct into Brisbane's premium business and leisure destination progressed after development plans were lodged with Brisbane City Council. This followed the signing of a facilitation agreement between Dexus and the Queensland Government on the **Waterfront Brisbane** concept masterplan

Our office properties are located where our customers want and need to be.

Our development pipeline

Our $10.6 billion group development pipeline includes properties that Dexus is developing to hold directly or on behalf of our third party capital partners (Core) and properties that will be packaged and sold to generate trading profits (Trading).

VIC

1 **60 Collins Street,** Melbourne (Core)

A shovel-ready development incorporating the consolidation of two adjacent sites, 60 and 52 Collins Street to create Premium grade office space located at the 'Paris end' of Collins Street.

Project status: Uncommitted

Expected project cost: Circa $600 million

Ownership: 100% Dexus

QLD

2 **Waterfront Brisbane,** Brisbane (Core)

A major redevelopment of the Eagle Street Pier site which will make way for two office towers and unlock the considerable potential of this Brisbane CBD gateway. Waterfront Brisbane will be a great outcome for Brisbane with the renewal of the city's premium business district, a vibrant retail and public space, activation of the river and improvements to the Riverwalk.

Project status: Uncommitted

Expected project cost: Circa $2.2 billion

Ownership: 50% Dexus, 50% DWPF

WA

3 **Carillon City,** Perth (Core)

Carillon City Perth is a shovel-ready development project that has the potential to revitalise the Perth CBD. The development comprises a masterplanned transformation of the Carillion City precinct into a vibrant mixed-use lifestyle destination offering retail, dining, entertainment and commercial spaces in the heart of the Perth CBD.

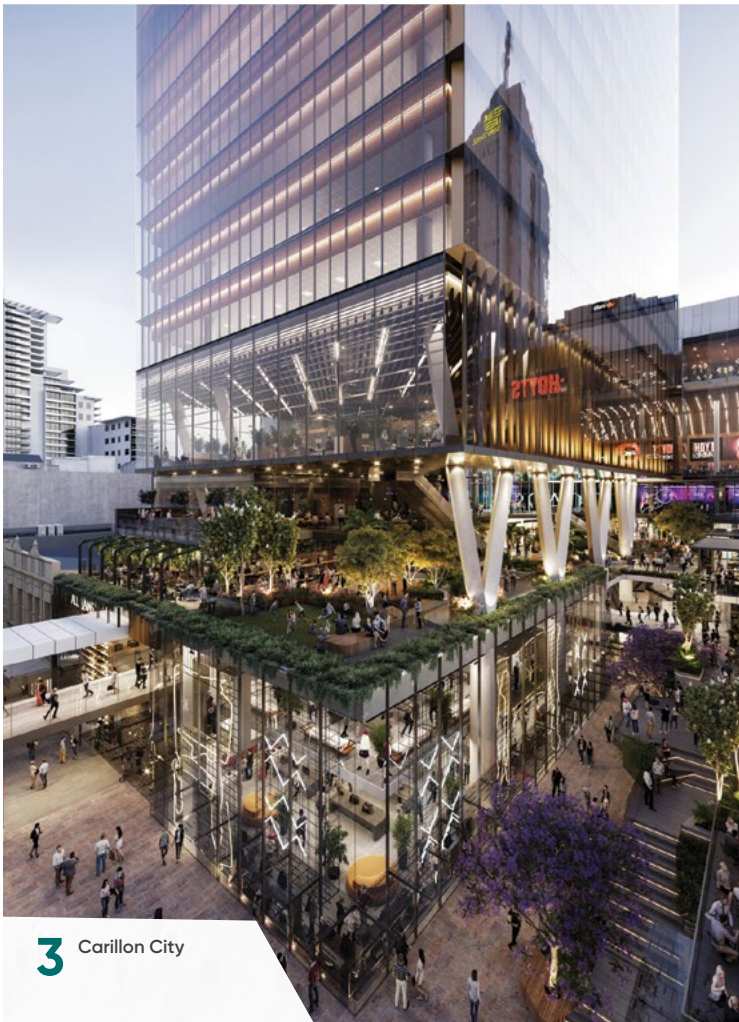
Project status: Uncommitted

Expected project cost: Circa $400 million

Ownership: 100% DWPF

1 60 Collins Street

2 Waterfront Brisbane



3 Carillon City

Properties

6 Pitt and Bridge Precinct

4 MLC Centre

5 Central Place Sydney

7 140 George Street

8 North Shore Health Hub 12 Frederick Street (Stage 1)

9 12 Frederick Street (Stage 2)

NSW

4 MLC Centre, Sydney (Core)

A vibrant mixed-use redevelopment across four levels of retail, dining and cultural spaces in the heart of the Sydney CBD, including the renewal and refurbishment of the Theatre Royal.

Project status: Committed

Project cost: $189 million

Ownership: 50% Dexus, 50% DWPF

Expected completion: Late 2021

5 Central Place Sydney, Sydney (Core)

Dexus is progressing its exclusive position to integrate the NSW Government's plans to revitalise Sydney's Central Station through the redevelopment of its Lee Street properties and Henry Deane Plaza in partnership with Frasers Property Australia into a large scale, mixed-use development integrating a transport and pedestrian solution.

Project status: Uncommitted

Expected project cost: Circa $1.1 billion[1]

Ownership: 25% Dexus, 25% Dexus Office Partner

Learn more

To learn more about our Leading Cities approach visit www.dexus.com

6 Pitt and Bridge Precinct, Sydney (Core)

A potential office development for Dexus and the Dexus Office Partner on a large 3,300 square metre site located in the financial core of the Sydney CBD.

Project status: Uncommitted

Expected project cost: Circa $2.8 billion

Ownership: 50% Dexus, 50% Dexus Office Partner

7 140 George Street, Parramatta (Core)

A shovel-ready Prime grade office development located in the heart of the Parramatta CBD, providing an innovative workplace environment and superior wellness amenity, complemented by an enhanced public domain.

Project status: Uncommitted

Expected project cost: Circa $400 million

Ownership: 50% Dexus, 50% Dexus Office Partner

8 North Shore Health Hub 12 Frederick Street, St Leonards (Stage 1) (Trading)

The North Shore Health Hub is a state-of-the-art healthcare facility for auxiliary medical services supporting existing infrastructure in a growing healthcare precinct.

Project status: Committed

Project cost: $224 million

Ownership: 100% HWPF (fund-through development)

Expected completion: Early 2021

9 12 Frederick Street, St Leonards (Stage 2) (Trading)

A world class health and education precinct adjoining major health infrastructure, the St Leonards Health Precinct combines clinical care, research facilities, a medi-hotel and key worker housing that will expand the existing medical precinct.

Project status: Uncommitted

Ownership: 100% Dexus

1. Excluding external party share of project cost of land already owned, downtime and income earned through development.

Case study

Progressing Dexus industrial developments

Strong demand for high quality logistics facilities to support the growing needs of e-commerce and other growth businesses has underpinned the activation of Dexus's industrial developments across the east coast of Australia.

In FY20, Dexus progressed the following industrial developments:

Foundation at Truganina, Truganina, VIC
(Dexus 100%)[1]

Progressed the build out of Stage 3 of the estate, with circa 70,100 square metres of development including:

- A long-term built to lease facility for AS Colour across circa 18,800 square metres, due for completion in October 2020
- A circa 26,600 square metre facility for eStore Logistics
- A circa 7,300 square metre facility for Coles, completed in July 2020
- A circa 8,200 square metre facility for Opal (SPG) (formerly Orora), completed in June 2020
- A circa 9,200 square metre facility for Dunlop Flooring completed in September 2019

Horizon 3023, Ravenhall, VIC
(Dexus 25.5%, Dexus Australian Logistics Partner 24.5%, DWPF 50%)

- Progressed on civil and infrastructure works, delivering 37 hectares of immediately developable land
- Secured Scalzo for a purpose-built facility across circa 35,300 square metres, with construction underway and due for completion in early 2021
- Commenced construction of a built to lease facility across circa 36,700 square metres
- Committed a high-quality customer for a purpose-built facility across circa 25,500 square metres, due for completion in mid-2021

Freeman Central, Richlands, QLD
(Dexus 51%, Dexus Australian Logistics Partner 49%)

- Commenced construction of the first stage of a built to lease industrial estate spanning circa 54,800 square metres across five units
- The first stage delivers three facilities across circa 32,000 square metres, with a target completion date in late 2020, committing a customer for circa, 12,200 square meters

Loop, South Granville, NSW
(Dexus 51%, Dexus Australian Logistics Partner 49%)

- Commenced construction across circa 57,100 square metres over four buildings, targeting completion in early 2021
- Secured a large pre-commitment lease with Winit prior to the commencement of construction of a facility across circa 20,000 square metres
- Secured further leasing across circa 6,000 square metres, resulting in a 45% commitment across the estate

Lakes Business Park South, Botany, NSW
(Dexus 100%)[1]

- Completed construction of a new facility across circa 5,000 square metres in December 2019
- Commenced refurbishment of existing facilities, with completion due late 2020
- Leased circa 10,900 square metres of space resulting in a 75% commitment across the estate

Cumberland Green, Rydalmere, NSW
(DWPF 100%)

- Completed the final stage of construction of the estate across circa 11,800 square metres in June 2020
- Leased circa 10,000 square metres of space resulting in an 86% commitment across the estate

This activity builds on Dexus's track record which has seen it develop and lease 47 industrial development projects across 784,000 square metres in Sydney, Melbourne and Brisbane since 2010.

1. Dexus 100% owned at 30 June 2020. Dexus entered into agreements to sell to the Dexus Australian Logistics Trust on 30 July 2020.

People and capabilities

Our people are central to how we deliver our strategy. They are inspired and motivated to create spaces where people thrive and are supported by a culture that drives sustained value for our investors and other stakeholders.

Board focus

The Board People & Remuneration Committee oversees all aspects of human resource management as well as Director and Executive remuneration. For further details on the key focus areas during FY20, refer to the Remuneration Report on page 62 or the Corporate Governance Statement available at www.dexus.com

552

Total Dexus employees

Learn more

To learn more about our progress against our FY20 People and Capabilities commitments, refer to the 2020 Sustainability Report available at www.dexus.com

Sustained employee engagement and commitment

Our people are passionate, agile and engaged in the purpose and direction of Dexus.

We maintain awareness of our people's views and needs through our Employee Listening Strategy which is an integrated approach to understanding their experience. This approach includes employee pulse surveys, providing real time feedback throughout the year so we are quickly able to ensure teams have what they need to thrive at Dexus.

In FY20, our pulse surveys returned a weighted average employee Net Promoter Score of +61, an increase from +40 in FY19 and indicating strong engagement from our workforce. Our people told us they experienced an inclusive culture, they have felt supported during the COVID-19 pandemic and that they are aligned to the Dexus Sustainability Approach.

Supporting our people through the COVID-19 pandemic has been an unexpected focus during the year. Most employees were asked to work remotely from March until the end of June 2020, presenting many with challenges. This included difficulty juggling workload with home schooling responsibilities, internet connectivity, increased isolation and maintaining mental health.

A key focus has been to safely and empathically support our people through the COVID-19 pandemic

Many of these challenges were addressed by the proactive measures we put in place to support employee wellbeing, including:

- The launch of our Safe & Well program
- Seminars on the effective use of remote working technology such as Microsoft Teams
- Employee virtual Town Hall meetings on a weekly to fortnightly basis, where all employees could ask questions and receive real time responses from the CEO, executive team members, and the Dexus Chair
- Regular email updates to the business on the pandemic and Dexus's response, with a dedicated intranet hub providing a range of resources and reference materials
- Activities to maintain workplace connections and team cohesion, such as virtual yoga and fitness classes

Following a significant increase in COVID-19 cases across Melbourne and regional Victoria since June 2020, we have continued to support our Victorian workforce working from home, and have focused on the health and safety of our people who are performing essential services such as the management of properties with medical centres and supermarkets.

The confidence that our people have in our management of the impacts is testament to our cultural focus on health and safety in our workspaces and across our portfolio. Supporting this focus, this year we upgraded our health and safety management system to the ISO 45001 standard. Led by our Workplace Health, Safety and Environment Committee, we achieved an average safety audit score of 100% across our corporate and management workplaces in FY20.

Case study

Supporting a thriving workforce through the launch of the Safe & Well program

Dexus is committed to ensuring the health, wellbeing and safety of its people.

During the year, Dexus established its Safe & Well program to support the aspects of wellbeing that matter most to our people.

Safe & Well provides a breadth of resources freely accessible to Dexus employees in one easy to access location, designed to help them develop and maintain their wellbeing and work-life balance. These resources are offered alongside Dexus's employee assistance program through a partnership with Benestar, a confidential counselling and coaching service available to all employees and their families.

Safe & Well supports:

- Mental wellbeing through access to services and information from mental health groups, mindfulness tools, and educational modules on managing stress and personal resilience
- Physical wellbeing through medical offerings such as flu vaccinations, private health insurance discounts, and resources on nutrition and fitness
- Financial wellbeing through the Employee Share Ownership Plan and access to benefits provided by Dexus's preferred superannuation provider
- Work wellbeing through promoting job clarity, employee connection, and team collaboration

This program has been welcomed by our people and has taken on increased importance with the onset of the pandemic.

Thriving People

+61
Employee Net Promoter Score

36%
Females in senior and executive management roles

100%
Safety audit score across Dexus workspaces

Future focus

- Maintain an employee Net Promoter Score at or above +40
- Place internal candidates in more than 20% of available roles
- Achieve 40:40:20 gender representation in senior and executive management roles by FY21 (40% female, 40% male, 20% any gender)
- Maintain recognition as an Employer of Choice for Gender Equality

People and capabilities

Fostering an inclusive and diverse workforce

Our approach to inclusion and diversity allows us to harness different perspectives for better decision-making, as well as providing access to the widest pool of available talent. Our people identify with a variety of different cultural and ethnic backgrounds, and we aim to build a diverse workforce that reflects our customers and communities.

Over the past year, we continued our focus on gender equality, earning an Employer of Choice for Gender Equality citation by the Workplace Gender Equality Agency for the third consecutive year. We remain committed to our gender diversity target of 40% female representation in senior and executive management roles by 2021, with 36% female representation at 30 June 2020. We are mindful that this percentage has decreased since FY19 and remain committed to achieving our target of 40% female representation for these roles by FY21.

We continue to regularly monitor and adjust our processes, practices, policies and programs to ensure workplace gender equality is maintained at all levels of the business.

In August 2019, we established the Dexus TRIBE network (TRIBE) to promote LGBTI+[1] inclusion at Dexus, enable psychological safety in the workplace, and serve as a forum for advising Dexus on responses to LGBTI+ issues that impact our people. TRIBE is open to all employees across the group, including those who identify as LGBTI+ and allies who want to show support.

Membership has grown to 65 employees across Australia, who have come together to drive LGBTI+ inclusion at events such as Wear It Purple Day and the Sydney Gay and Lesbian Mardi Gras. TRIBE continues to expand its influence at Dexus and has also aligned with InterBUILD, the building, construction and property network focused on LGBTI+ inclusion. We participated in the Australian Workplace Equality Index for the first time in 2020 and will use the benchmark to enhance our diversity and inclusion strategy into the future.

Our approach to inclusion and diversity allows us to harness different perspectives for better decision-making

Investing in our people

We actively support internal career planning, development and new opportunities for our people. During the year, we placed internal candidates in 31% of available roles.

We also support a range of professional development opportunities, to ensure that our people are equipped with the skills necessary to do their job well, and to enable our people to grow and further develop their talents.

In May 2020, we rolled out inclusive leadership training to all people managers. *Tackling Unconscious Bias* defined the characteristics of an inclusive work culture, identified the benefits of workplace inclusion and diversity, and provided guidance on how to become more inclusive leaders. We also delivered a broader program to all employees, *Understanding Diversity and Inclusion,* providing further education on workplace diversity and inclusion.

Other management and leadership programs continued, including the Dexus Leadership Academy. In April 2020, we launched the People Managers' Forum, an interactive webinar series to keep managers informed, prepared and capable of supporting their teams with the latest workplace protocols, people management processes, policies and support tools.

Our commitment to building a diverse, capable and engaged workforce continues to support our strategy and deliver sustained results.

1. LGBTI+ stands for lesbian, gay, bi-sexual, transgender, and intersex, with the plus intended to include the total diversity of sexual orientations and gender identities.

Learn more

To learn more about our Thriving People approach visit www.dexus.com

Case study

Dexus certifies new Business Excellence Champions

We launched a Business Excellence Champions program in FY19 to equip a select group of employees with the skills necessary to lead change across the business. The program borrows from Lean Six Sigma principles and involved project teams tackling real-world challenges that the business is facing. Some of the challenges considered by the program include optimising information access, improving forecasting processes, and enhancing internal data validation procedures.

The program was completed in February 2020, with 22 Business Excellence Champions graduating in a ceremony at Dexus's head office in Sydney. Feedback on the program was overwhelmingly positive, with participants enjoying learning new tools and techniques, working with others across the business, and helping to fix real business problems.

The newly accredited Business Excellence Champions are now embedded throughout the business, leading the change required for Dexus to stay ahead of the curve in today's quickly evolving environment.

Customers and communities

Our ability to create value relies on strong and enduring relationships with our customers, suppliers and the communities we operate in.

Board focus

Our customers and communities are a focus area for the Board and Board ESG Committee. In FY20 the Board was involved in:

- Reviewing and discussing the annual customer survey results and associated actions
- Discussing management's approach to rent relief for small and medium sized enterprise customers impacted by the COVID-19 crisis
- Discussing management's approach to customer complaints
- Discussing Dexus's customer centric aspirations and alignment with group strategy
- Endorsing the Human Rights Policy
- Overseeing management's approach in relation to *Modern Slavery Act 2018*, including reviewing or approving the group's inaugural Modern Slavery Statement

Future Enabled Customers

We understand the importance of high-performing workspaces for employee productivity and business success, and our comprehensive product and service offering supports our customers' success today and into the future.

We know that our customers are more likely to be satisfied when we listen to their concerns and address their needs. Our customer-centric approach is underpinned by our Customer Promise to:

- Listen, understand and respond to customer needs
- Make things 'simple and easy'
- Innovate to enrich customer experience

This year, our annual customer survey across our office and industrial portfolios returned a customer Net Promoter Score of +50, an increase on last year's result of +46. Average satisfaction with property management was 8.6/10, consistent with FY19.

Our customers told us they enjoyed the Dexus experience and key activations that helped our customers thrive through FY20 which included:

- Activities that supported important causes such as the Australian bushfire appeals and Foodbank donation drive
- End-of-year celebrations and other networking events to strengthen the communities within our properties
- Several offers and giveaways provided by Dexus retailers

Our top priority in dealing with both the COVID-19 and bushfire crises was to ensure the health, safety and wellbeing of customers and visitors to our properties. We took proactive steps to deliver clean air within our properties and to implement measures to prevent the spread of COVID-19.

Recognising this is a challenging time for many of our customers, we committed to prioritising rent relief consistent with the government's Code of Conduct to support the viability of our small business customers who are bearing the brunt of the crisis.

Realising the potential of our customers' workspace

Across our customer community, we provide products and services to satisfy their desire to improve workforce engagement and productivity. Launched in August 2019, Six Ideas by Dexus is our strategic workplace and change management consulting service. This service complements our in-house Project Delivery Group, completing our end-to-end offering that will help our customers to leverage their premises for business success.

Six Ideas by Dexus has had a busy first year of operation, working with Dexus customers and across Dexus developments to create workplace environments that support organisational and culture innovation. The team has leveraged the disruption caused by the COVID-19 pandemic to launch a research study into the impact of remote working and its implications for the future of work.

Learn more

To learn more about our progress against our FY20 Customer and Communities commitments, refer to the 2020 Sustainability Report available at www.dexus.com

Case study

Supporting our customers' needs through the COVID-19 crisis

Our top priority in dealing with the COVID-19 pandemic was to ensure the health, safety and wellbeing of our customers, employees and people visiting our buildings.

Dexus took proactive steps at its properties to deliver COVID-safe environments in line with government guidelines, implementing measures to prevent the spread of the pandemic including:

- Increased cleaning in high touch points, including food courts and bathrooms
- Touchless sanitiser stations in office lobbies
- Prominent signage advising physical distancing requirements
- Regulating lift occupancy and people traffic management in lobbies
- Additional cleaning packages for individual tenancies

Despite occupancy numbers being lower than normal during the lockdown period, Dexus continued to deliver high levels of service, with buildings kept operational and essential services continuing. This ensured customers had the flexibility to access their offices, and buildings were quick to reactivate when customers began their return to the office.

To further support the wellbeing of occupants, popular building community activities, such as yoga and fitness classes, were offered virtually.

Regular communications ensured customers were kept up to date on the government regulations and operational changes. Customer surveys helped Dexus to understand future building physical occupancy levels and customers' expectations, and informed strategies for a smooth transition into and out of the lockdown period.

During the easing of restrictions, in Sydney, Brisbane and Perth, Dexus closely engaged with the Property Council of Australia and Safe Work Australia on developing the guidelines for office buildings and workspaces, including issues such as lifting capacities and end of trip facilities.

An independent health expert was engaged to review the processes for end-of-trip facilities, bike storage rooms, lifts and lobbies, food courts and bathrooms to enable them to re-open.

The measures undertaken to ensure the safety of building occupants gave our customers increased confidence to return to their workplaces safely. Our facilities management team continues to provide onsite support for all of our customers, ensuring compliance with the new restrictions in Melbourne and regional Victoria.

Future Enabled Customers and Strong Communities

+50
Customer Net Promoter Score

>$1.1m
Value of community contribution

>2,000
Supplier partnerships

Future focus

- Maintain office and industrial customer Net Promoter Score at or above +40
- Support our customers' future workspace needs by delivering additional flexible space solutions
- Establish a cross-functional internal Social Impact Working Group focused on driving social initiatives
- Develop a supplier risk rating tool for use by procurement teams to enhance understanding of ESG risk

Customers and communities

The future of workspace

The COVID-19 pandemic provided the opportunity for our customers to consider the purpose of office and the impact working remotely has had on their businesses.

Feedback from our customer surveys indicated our customers value the workplace and were keen to return after an extended period of working remotely.

The workplace is a key strategic lever for business success. There is abundant evidence of the economic and social benefits of people working together in office environments and the contribution these make to collaboration, innovation, learning and workplace culture.

Our customers have told us there is a lot about the office that they took for granted. So much of the efficiency of any organisation comes from the incidental interactions that take place between employees at the water-cooler, in the kitchen or over a coffee. It is difficult to schedule inspiration to coincide with a virtual interaction.

Mentoring and on-the-job training is most effectively delivered in an office environment. Incidental learning takes place in a workplace whether it be by observing someone in action, or overhearing how they conduct themselves on a phone call or in a meeting.

Business development and sales is another area that relies on interpersonal interactions and relationship building. It is difficult to grow a business or maintain sales if you do not nurture existing relationships or develop new ones.

However, there are elements of working remotely which are appealing in certain circumstances, for instance workers also told us that their work-life balance was better working from home. While process tasks and concentrated work are just as or more effective when performed remotely, others – such as management or operations – are more effective when performed in the office.

The majority of our customers believe a face-to-face approach, whether solely in person or in combination with online, is the most effective way to do business.

We believe that flexibility is here to stay. There is a need for a central office – for building a culture, collaboration and innovation – but there is also room for flexibility.

The challenge for organisations will be in how they facilitate the right balance that works for both the individual and the organisation.

Workspace insights from customer surveys

77% Prefer meeting existing or prospective clients face-to-face [2]

66% Found sharing of ideas and brainstorming more difficult to do remotely [1]

79% Expect the majority of their workforce will be in the office most days of the week post COVID-19 [2]

80% Missed working from the office [1]

72% Believe building company culture is more effectively done in an office environment [2]

89% Missed their colleagues [1]

73% Said managing team performance was easier to do in an office [2]

Source

1. Dexus tenant employee survey (April 2020).
2. Dexus tenant C-Suite survey (June 2020).

Staying at the forefront of property technology

The rate of change and value that technology is bringing to our business is a key focus for Dexus. In FY20 we announced two partnerships that are aimed at accelerating Dexus's digital transformation:

- **SparkBeyond** – a leading artificial intelligence (AI) technology firm with proven technology to provide deep insights, solve problems and drive high value data driven decisions for businesses
- **Taronga Ventures** – a real estate innovation and venture capital firm, and its RealTechX Growth program, an innovation program set to propel emerging real estate technology businesses in Australia and Asia

The COVID-19 pandemic has accelerated the demand and need for technology and innovation to deliver enhancements to buildings for the health and wellbeing of occupants in their workplaces.

Leveraging our new partnerships' technologies, we aim to change the way decisions are made across our business while helping create healthy buildings for our customers, enabling Dexus to secure first-mover advantage on next generation technology solutions.

Our smart building blueprint

At Dexus, we leverage technological change for the long-term benefit of our workspaces, securing the relevant game changers that enhance the customer experience. Our smart building blueprint relies on six interconnected pillars that we know are important to our customers: safety, sustainability, productivity, experience, wellbeing and connectivity.

How we interact with buildings is also changing due to concerns arising from the COVID-19 pandemic. Innovation led by public demand for remote and touchless operations continues to drive the development of new products and solutions for buildings.

We launched the smart building blueprint at 100 Mount Street in North Sydney last year, combining the latest technology in smart sensors and connectivity including a dedicated Internet of Things platform. The experience at 100 Mount Street demonstrated that one of the most beneficial outcomes of the new property technology is connectivity. Several customers opted to choose Dexus as their connectivity provider, demonstrating the opportunities to leverage technology to meet customer needs beyond simply providing workspace.

Other smart building blueprint initiatives rolled out include the installation of premium mobile phone technology at the MLC Centre in Sydney and biometric access technology at 100 Mount Street and Gateway Sydney.

Gateway Sydney is the first office building in Australia to offer a fully integrated touchless experience. Using 3D fingerprint technology, occupants' handprints are scanned to create a unique algorithm, eliminating the need for office passes swiping across surfaces and touching of lift buttons. From car park boom gates, lift security, access to offices and end–of–trip facilities (including bike storage rooms, bathrooms and lockers), this biometric touchless technology creates a frictionless experience for our customers.

We determine the best use of technology not just for its suitability for one building, but its scalability across our portfolio and we are assessing the feasibility of this integrated touchless technology at other buildings in our portfolio and in future developments. By applying our scale, we can improve commercial outcomes and ultimately offer a smooth and consistent experience for our customers.

Customers and communities

Case study

Modern slavery risk and the COVID-19 pandemic

Modern slavery risks are never static, and the abrupt shift in economic activity caused by the pandemic has created unprecedented challenges for businesses across the globe. For a property owner and manager like Dexus, the pandemic has increased the need for essential services like cleaning and security in some areas, while decreasing this need in other areas. If not managed well, abrupt increases in demand can amplify the risk of forced labour, while decreases in demand can lead to employees being stood down without pay and access to public benefits.

Dexus has been focused on ensuring its suppliers, most notably its cleaning and security providers, have been managing their workforces appropriately during the pandemic. Dexus has kept its portfolio operational throughout the crisis, thus minimising the risk of job losses across our cleaning and security contractor workforces. Where cleaning requirements have been reduced at the request of customers, Dexus has engaged with cleaning contractors who may be impacted to protect jobs where possible. Dexus has also affirmed its expectations of suppliers that they uphold the highest standards of occupational health and safety with their workforces.

Partnering with our suppliers

Every year, we engage hundreds of suppliers to assist in undertaking our business activities of transacting, managing and developing. Building a network of supplier relationships helps us to create value through our development activities and managing our properties more efficiently. This can be through the engagement of suppliers to provide cleaning, maintenance or security services at our properties, or through partnerships with suppliers to deliver elements of our customer offer, such as wellbeing service providers as part of our Wellplace offering.

We welcome the increased interest from investors, suppliers and customers about our management of modern slavery risks in our supply chain, since the commencement of the *Modern Slavery Act 2018*. Over the past year, we have enhanced how we address modern slavery risks across our supply chain through:

- Requesting over 100 key suppliers to disclose information on their labour management practices using the property industry's supplier due diligence tool developed as part of an industry collaboration with the Property Council of Australia
- Clarifying our expectations for suppliers through updating contractual documentation and ensuring the consideration of modern slavery risk factors during the supplier selection process
- Completing modern slavery and human rights awareness training across our entire Dexus workforce
- Delivering an awareness campaign to educate suppliers and their workforces about modern slavery and advice on how to report concerns
- Ensuring suppliers were focused on workforce health and safety during the COVID-19 pandemic

Our 2020 Modern Slavery Statement is available at www.dexus.com

>$1.1m

Contributed to communities across Australia

Strong Communities

Our capacity to create value is influenced by the strength of our relationships with local communities in and around our properties.

Many of our retail centres act as community hubs, providing essential spaces for people to gather, shop, and play. We work with local authorities and community groups on issues ranging from economic development to community safety, both enhancing our relationships and creating positive impacts.

We also leverage our scale to amplify the important work of community organisations. We welcome the use of lobby space in our office properties by the community, supporting a range of causes that deliver social impact while engaging our people and our customers.

Over the year, we contributed over $1.1 million financially and in-kind to communities across Australia through initiatives such as our retail portfolio's national community campaign, and our partnership with Foodbank that enabled the provision of thousands of meals to those in need over the Christmas period. The contribution also includes funds donated to the Australian bushfire appeals, where Dexus matched employee donations dollar-for-dollar.

Learn more

To learn more about our Future Enabled Customers and Strong Communities approach visit www.dexus.com

Case study

Supporting local communities

Our retail centres act as community hubs and have a unique capacity to benefit local communities by supporting causes that matter to them.

We form partnerships with local not-for-profit organisations, and invite shoppers and retailers to support initiatives that deliver positive social impact within each community.

On the NSW Central Coast, Deepwater Plaza, owned 100% by DWPF, partnered with the well-known local community organisation Mary Mac's Place Woy Woy, for a month-long campaign and donation drive to support those in the local community experiencing food insecurity and homelessness.

Mary Mac's Place serve over 500 meals a week from Monday to Friday to those most in need in the community, relying 100% on donations to provide this vital service.

During August 2019, Deepwater Plaza shoppers donated food, toiletries and laundry items at the Donation Hub opposite the Coles supermarket. Additionally, shoppers could purchase a $2 or $5 plate and place their plate on the donation wall to show their support.

The local community and the shopping centre's retailers rallied together to provide Mary Mac's Place Woy Woy with a cash donation of $5,740 plus an estimated $10,000 worth of groceries and toiletries.

Catherine Pantehis, Coordinator Homeless Services, Catholic Care said: "Mary Mac's is open to anyone needing a helping hand. We rely solely on donations and thank the local community for supporting so generously during this wonderful initiative. The community's kindness will ensure we can keep providing meals and other important services to those that need it the most on the peninsula".

Foodbank – Fighting to reduce hunger

Dexus joined the fight to reduce hunger in Australia, partnering with Foodbank, Australia's largest food relief organisation, to provide support to those in need during the Christmas period and those communities that were impacted by the Australian bushfires.

Dexus collaborated with office management teams around Australia to set up food donation stations in the lobbies of Dexus office buildings. The initiative was communicated across the customer portals, encouraging customers to donate non-perishable food times to support those in need in Dexus's communities.

The Foodbank drive ran from late November 2019 through to mid-January 2020, collecting 185 boxes of food that supplied an estimated 2,951 meals to communities impacted by poverty, drought and the bushfires. Altogether, the donated food weighed 1,639 kilograms – approximately the weight of a Holden Commodore!

Environment

Our capacity to create value is built on an efficient and resilient portfolio that minimises our environmental footprint and is positioned to thrive in a climate-affected future.

Board focus

Sustainability and the environment are a focus area for the Board and Board ESG Committee. In FY20, the Board and Board ESG Committee were involved in:

- Reviewing the group's progress in relation to 2020 environmental targets
- Discussing and reviewing Dexus's position in relation to onsite and offsite renewables
- Reviewing the group's activities to enhance climate resilience
- Reviewing and approving the *Towards Climate Resilience* report
- Overseeing the 2020 materiality assessment
- Discussing the results of indoor air quality results during the Australian bushfire crisis and the opportunities for improvement
- Discussing the setting of 2025 targets consistent with the pathway to net zero emissions by 2030

The efficient use of natural resources creates value for Dexus and supports our customers to achieve their own corporate sustainability goals. We integrate energy, water and waste efficiency into the design and daily operation of our properties and regularly benchmark property performance using independent building certifications such as NABERS and Green Star.

Our commitment to achieve net zero emissions by 2030 supports the transition to a low carbon economy, creates financial benefits and aligns with the ambitions of our investors and third party capital partners. We are also focused on understanding the impacts of climate change on our properties and invest in initiatives to enhance portfolio resilience.

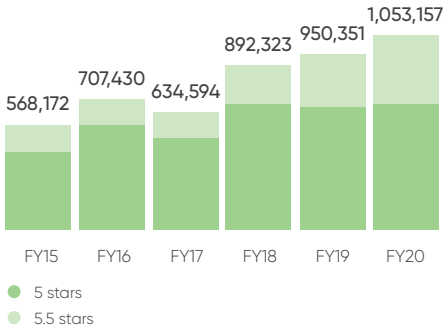
Achieving our resource efficiency targets

In 2015, we set a target to achieve 1,000,000 square metres of office space across the group office portfolio rated to a minimum 5 star NABERS Energy rating and a minimum 4 star NABERS Water rating by 2020. We achieved these targets across the group's office portfolio, which involved increasing energy and water efficiency across circa 500,000 square metres of office space.

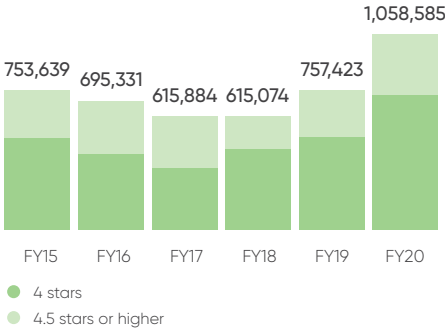
Our customers, suppliers, and facility management partners have all contributed to this achievement. The improvements to portfolio efficiency are streamlining operating costs and improving the indoor environment of our properties. They have been achieved through comprehensive strategic improvement planning, targeted capital expenditure and collaboration to enhance monitoring systems and operating procedures.

We continue to prioritise waste management through rating property performance using NABERS Waste, including waste management provisions in our cleaning contracts, and engaging with our customers to improve their waste management practices. Enhancing reuse and recycling across tenancy fit-out projects has been a priority for several years, and this year we completed an assessment that identified how retaining or reusing fit-out delivers superior carbon and cost savings for Dexus and our customers. These insights will inform how we continue to evolve our service offering to assist our customers in achieving their sustainability goals.

5 star NABERS Energy by 2020
(sqm)

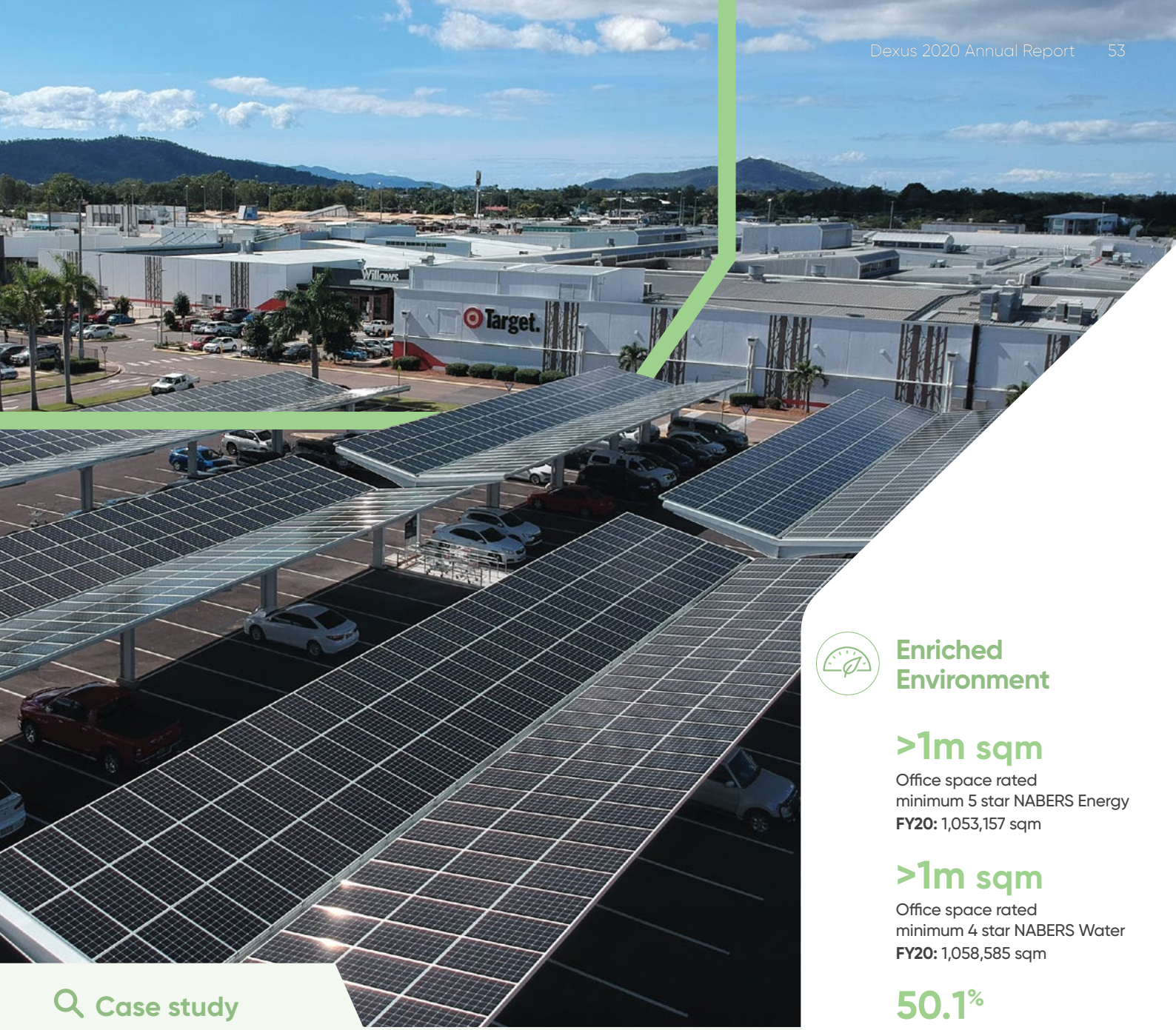


4 star NABERS Water by 2020
(sqm)



Learn more

To learn more about our progress against our FY20 Enriched Environment commitments, refer to the 2020 Sustainability Report available at www.dexus.com



Case study

Capturing sun and providing shade at Willows Shopping Centre

In May 2020, Dexus completed one of Australia's largest car park solar projects at Willows Shopping Centre in Townsville (owned by DWPF and managed by Dexus).

The project includes 4,800 solar photovoltaic (PV) panels that will generate approximately 2,500 megawatt hours per annum, equivalent to the usage of 370 Queensland households.

At retail centres like Willows, onsite solar PV works well at retail centres because centre visitation tends to be higher during the daytime, which is also the time when solar PV systems generate the most power (a quality referred to as 'load matching').

The benefits of the project extend beyond the provision of renewable energy and include the installation of shade sails that will further enhance the amenity for centre visitors.

The project has added shading with under-canopy lighting to an additional 500 car park bays, improving the shopper experience and increasing the number of shaded or undercover car parks to over 1,700 bays.

The new solar array reduces the centre's use of grid-purchased electricity and associated carbon emissions, supporting Dexus's pathway to net zero emissions across its managed portfolio by 2030.

Enriched Environment

>1m sqm

Office space rated minimum 5 star NABERS Energy
FY20: 1,053,157 sqm

>1m sqm

Office space rated minimum 4 star NABERS Water
FY20: 1,058,585 sqm

50.1%

Reduction in group office emissions intensity since FY08

>$164m

Saved through enhanced portfolio energy efficiency since FY08

Future focus

- Source at least 70% of electricity from onsite and offsite renewable sources across the group's managed portfolio by FY25 consistent with our RE100 commitment to 100% renewable energy by 2030
- Deliver an average 5 star NABERS Indoor Environment rating across the group office portfolio by FY25, delivering initiatives to enhance occupant health and wellbeing

On the pathway to net zero emissions

Our commitment to achieve net zero emissions by 2030 involves enhancing the energy efficiency of our properties and increasing the use of renewable energy. Our goal is to operate high performing buildings powered by clean energy. This year, we signed up to the RE100 initiative, joining like-minded businesses committed to sourcing 100% renewable energy by 2030.

During the year, we increased our use of renewable energy through:

- **Commencing a renewable Energy Supply Agreement with Red Energy**
  Since 1 January 2020, this agreement has been supplying renewable energy sourced from a combination of offsite solar and wind projects, to the base building services of 40 properties across the group's New South Wales office portfolio
- **Prioritising the delivery of onsite solar photovoltaics (PV) at our retail centres**
  We completed the installation of one of Australia's largest car park solar arrays at DWPF's Willows Shopping Centre in Townsville, as well as a rooftop solar PV system at Beenleigh Marketplace in Brisbane
- **Implementing an Onsite Solar Renewables program across our industrial portfolio**
  We are unlocking the value of industrial properties by working with our customers to share the financial and environmental benefits of renewable energy. We launched a pilot program at Quarrywest at Greystanes, NSW, where customers have indicated their interest to partner with Dexus to install solar PV at their facilities

Healthy indoor environments

We have always prioritised indoor environmental quality, acknowledging its potential to impact occupant health and wellbeing, and ultimately customer productivity and satisfaction. The past year presented a unique set of indoor environmental quality challenges related to Australia's bushfire season and the COVID-19 pandemic.

When the bushfires blanketed the capital cities of Sydney, Melbourne and Brisbane in smoke haze, We undertook sample testing across the portfolio to understand whether existing air filtration systems and management procedures were able to sustain healthy air quality inside our properties.

The onset of the COVID-19 pandemic shortly after the bushfires brought a new set of challenges to ensure healthy indoor environments in our buildings. Some of the measures we have put in place in response to the bushfire experience and to promote a safe return to the workplace include:

- Reviewing procedures to ensure adequate fresh air ventilation, filtration of return air and acceptable thermal comfort
- Experimenting with emerging building technology that can assist with enhancing air quality in smaller areas such as lifts and meeting rooms
- Updating the air quality specifications in our Environmental Management Manual, which will help set expectations for future procedures and investment related to indoor air quality

Learn more

Refer to *Towards Climate Resilience* and our 2020 Sustainability Report for additional detail on our approach to climate-related issues, available at www.dexus.com

We report on our approach to climate-related issues in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our approach is summarised here, with reference to additional information available in *Towards Climate Resilience* and the 2020 Sustainability Report.

Climate resilience

The Australian bushfire season of 2019-20, combined with record-setting drought conditions in the years prior, confirmed that climate change is directly affecting our social wellbeing and causing significant economic impacts. For over a decade, Dexus has reduced its impact through lowering emissions, adapted to climate hazards by enhancing portfolio resilience, and influenced its value chain to collaboratively tackle the climate challenge.

Over the past year, we expanded the use of scenario analysis to test how the business could enhance its resilience to climate impacts that extend beyond its individual properties. The outcomes of the scenario analysis are detailed in our report *Towards Climate Resilience*, published in June 2020. *Towards Climate Resilience* is aligned with the TCFD recommendations, and signals ways that Dexus can evolve its approach to climate resilience into the future.

Governance

Dexus's corporate governance framework supports a culture that understands the importance of sustainability and ensures that climate-related issues are addressed appropriately at board and management levels. The Dexus Board oversees all strategic risks including climate change, with the Board ESG Committee overseeing the group's approach to addressing climate-related issues. The Board Risk Committee oversees the group enterprise risk management practices and key risk register, which includes climate change.

The Sustainability team, led by the Executive General Manager, Investor Relations, Communications and Sustainability, and the Senior Manager, Group Sustainability and Energy oversee the group's management response and reporting, presenting on a quarterly basis to the Board ESG Committee on progress against targets and to the Board as key topics emerge.

Strategy

Climate-related risks and opportunities are of growing importance when it comes to meeting our strategic objectives of Leadership in office and Funds management partner of choice. Leadership in office has meant acquiring, developing and maintaining a high-quality property portfolio that mitigates climate change and provides tenants (customers) with energy efficient workspaces through achieving net zero emissions by 2030. To be the Funds management partner of choice, Dexus has acknowledged the challenge of climate change and collaborated with the investment community to understand climate-related risks and opportunities.

Dexus uses scenario analysis to identify the range of climate-related issues that may impact its capacity to meet its strategic objectives. *Towards Climate Resilience* explains Dexus's use of scenario analysis, identifies the climate-related risks and opportunities that we have identified, and explores ways that we can evolve our strategy to enhance our resilience.

Risk management

Climate-related risks are managed in accordance with the Dexus Risk Management Framework, which is aligned to the principles of ISO 31000:2018. Climate change is listed on the Dexus key risk register, which has resulted in the development of control measures and detailed discussion of climate risk at leadership and Board levels.

Management of physical risks at the asset level has been integrated into the Dexus Environmental Management System (EMS), which is certified to ISO 14001:2015. Climate change is listed as an 'aspect' within the EMS, which provides a structured framework for considering factors such as higher temperatures, altered rainfall patterns, and more frequent and intense extreme weather events into the day-to-day activities of transactions, developments, and asset and facilities management teams across the group.

Metrics and targets

We have set an ambitious pathway for emissions reduction through our goal of net zero emissions by 2030 across the group's managed portfolio. This goal has been certified by the Science Based Targets initiative as aligned with the objectives of the UN Paris Agreement. We monitor and report on absolute, like-for-like greenhouse gas emissions and emissions intensity for all properties under our operational control. Progress against targets and other climate-related metrics are disclosed in the 2020 Sustainability Report.

Governance

Good corporate governance is the foundation for the long-term success of the group, and the achievement of our strategy is underpinned by a strong governance platform.

Our Board and Group Management Committee are committed to excellence in corporate governance and aspire to the highest standards of conduct and disclosure. To support this aspiration, we have embedded a framework that enhances corporate performance and protects the interests of all key stakeholders.

We continue to focus on organisational culture by encouraging an environment where our people and stakeholders feel comfortable in raising issues and ensuring our Board and management are kept informed of incidents that may impact the business.

Our Board and its Board Committees have overall responsibility for corporate governance and are collectively focused on the long-term success of the group. Areas of specific responsibility include financial performance, setting strategy and overseeing its implementation, providing leadership and direction on workforce culture and values, and agreeing and overseeing the risk framework and risk appetite.

Our Board regularly reviews its corporate governance policies and processes to ensure they are appropriate and meet governance standards and regulatory requirements.

For the 2020 financial year, the group's governance practices complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (third edition). We are improving our policies and procedures to ensure compliance against the recently published fourth edition which takes effect for the first full financial year commencing on or after 1 January 2020 (for Dexus, the FY21 financial year concluding 30 June 2021).

Further details are set out in the Corporate Governance Statement, which outlines key aspects of our corporate governance framework and practices, which is available at www.dexus.com/corporategovernance.

The Dexus Board and Board Committee membership at 30 June 2020

Director	Board	Audit Committee[1]	Risk Committee[2]	People & Remuneration Committee	Nomination Committee	Environmental, Social and Governance Committee
Richard Sheppard	●			○	●	
Darren Steinberg	○					
Penny Bingham-Hall	○			●	○	○
John Conde AO	○	○			○	
Tonianne Dwyer	○	○	●		○	
Mark Ford	○	○	○		○	○
The Hon. Nicola Roxon	○			○	○	●
Peter St George	○	●	○		○	
Patrick Allaway	○				○	

● Chair and member ○ Member

1. Effective 1 July 2020, Mark Ford replaced Peter St George as Chair of the Board Audit Committee and effective 3 September 2020, Patrick Allaway replaces John Conde as a member of the Board Audit Committee.
2. Effective 1 July 2020, Patrick Allaway replaced Mark Ford as a member of the Board Risk Committee.

Board of Directors

Our Board comprises a majority of Independent Directors with all directors other than the CEO being Independent Non-Executive Directors. The Board currently consists of eight Independent Non-Executive Directors and one Executive Director. The Board renewal process over the past several years has produced an experienced Board of Directors with a broad and diverse skill set. Our Board has determined that, along with individual Director performance, diversity is integral to a well-functioning board.

We also acknowledge that an effective Board relies on board members with different tenures. As a result of the onset of the pandemic, we temporarily paused our Board renewal strategy due to the challenging operating environment and will recommence this strategy over the course of FY21. Our current focus is on Board renewal centred around the skills and experience needed to complement other Directors. The members of the Board of Directors and the relevant business and management experience the Directors bring to the Board is detailed on pages 58-61 and available at www.dexus.com.

Board skills and experience

Our Board has determined the skills, expertise and experience required as a collective to ensure diversity of thought and vigorous debate on key decisions. This is regularly reviewed when recruiting new Directors and assessed by the Board on an ongoing basis. The collective experience of the current Directors has been outlined against the areas of skill and expertise in the table below. The Board believes that its composition meets or exceeds the minimum requirements in each category.

Areas of skill and expertise	Experience
Leadership	– Directorship experience (past and present) – Senior management experience
Capital and Funds Management	– Experience in the dynamics of raising capital and investment banking – Experience in the management of third party funds
Finance and Accounting	– Experience in analysing and challenging accounting material and financial statements and assessing financial viability – Experience in understanding financial drivers/funding and business models
Governance	– Experience with corporate governance and standards of complex organisations – Ability to assess and commitment to ensure the effectiveness of governance structures
People Management and Remuneration	– Experience in relation to remuneration and the legislation/framework governing remuneration – Experience in managing people and influencing organisational culture
Property Experience (including Developments)	– Experience and industry knowledge in the management of properties including property development – Understanding of stakeholder needs and industry trends
Risk Management	– Experience in managing areas of major risk to the organisation – Experience in workplace health & safety, environmental and technology matters affecting organisations
Strategy	– Experience in merger and acquisition activities – Ability to guide and review strategy through constructive questioning and suggestions – Experience in developing and successfully implementing strategy
Sustainability	– Experience in implementing sustainability policies and practices, adopting a long-term approach to decision making – Understanding of environmental and social topics relevant to the property sector

Board of Directors

Board focus during the year

The key areas of focus for the Board and Board Committees during FY20 are aligned to each of our key resources

Financial

The Board and Board Audit Committee are involved in focusing on financial performance.

→ p.26

Customers and communities

The Board and Board ESG Committee are involved in reviewing aspects relating to customers and community related activities.

→ p.46

Properties

The Board is involved in approving transactions and developments across the portfolio.

→ p.36

Environment

The Board and Board ESG Committee are involved in reviewing aspects relating to climate change and the environment.

→ p.52

People and capabilities

The Board and Board People & Remuneration Committee are involved in aspects relating to employees.

→ p.42

Risk

The Board Risk Committee is involved in reviewing and monitoring our key risks.

→ p.22

Richard Sheppard
Chair and Independent Director
BEc Hons, FAICD

Appointed to the Board on 1 January 2012, Richard Sheppard is both Chair and Independent Director of Dexus Funds Management Limited, Chair of the Board Nomination Committee and a member of the Board People & Remuneration Committee.

Richard is a Director of Snowy Hydro Limited and Star Entertainment Group, and Honorary Treasurer of the Bradman Foundation.

Richard brings to the Dexus Board extensive experience in banking and finance and as a director and Chairman of listed and unlisted property trusts. He was Managing Director and Chief Executive Officer of Macquarie Bank Limited and Deputy Managing Director of Macquarie Group Limited from 2007 until late 2011. Following seven years at the Reserve Bank of Australia, Richard joined Macquarie Group's predecessor, Hill Samuel Australia in 1975, initially working in Corporate Finance. Richard became Head of the Corporate Banking Group in 1988 and headed a number of the Bank's major operating Groups, including the Financial Services Group and the Corporate Affairs Group. He was a member of the Group Executive Committee since 1986 and Deputy Managing Director since 1996. Richard was also Chairman of the Australian Government's Financial Sector Advisory Council, Macquarie Group Foundation, Eraring Energy and Green State Power Pty Limited.

Patrick Allaway
Independent Director
BA/LLB

Appointed to the Board on 1 February 2020, Patrick Allaway is an Independent Director of Dexus Funds Management Limited and a member of the Board Nomination Committee and the Board Risk Committee effective 1 July 2020. Patrick will be joining the Board Audit Committee effective 3 September 2020.

Patrick is Chairman of the Bank of Queensland and a Non-Executive Director of Nine Entertainment Co. and Allianz Australia.

Patrick brings over 30 years' experience in financial services across financial markets, capital markets, and corporate advisory. Patrick's executive career was in financial services with Citibank and Swiss Bank Corporation (now UBS) working in Sydney, New York, Zurich and London. Patrick was also Managing Director of SBC Capital Markets & Treasury.

Patrick has over 15 years Non-Executive Director experience across financial services, property, media, and retail. Patrick was formerly a Non-Executive Director of Macquarie Goodman Industrial Trust, Metcash Limited, Fairfax Media, Woolworths South Africa, David Jones, Country Road Group, and Domain Limited. He was also Chair of the Audit & Risk Committees for Metcash, David Jones, and Country Road Group.

Penny Bingham-Hall
Independent Director
BA (Industrial Design), FAICD, SF (Fin)

Appointed to the Board on 10 June 2014, Penny Bingham-Hall is an Independent Director of Dexus Funds Management Limited, Chair of the Board People & Remuneration Committee and a member of the Board Nomination Committee and Board ESG Committee.

Penny is a Non-Executive Director of Fortescue Metals Group Ltd, BlueScope Steel Limited, Supply Nation and Taronga Conservation Society Australia. She is also an independent director of Crescent Foundation and Macquarie Specialised Asset Management Limited.

Penny has broad industry experience having spent more than 20 years in a variety of senior management roles with Leighton Holdings Limited including Executive General Manager Strategy, responsible for the Group's overall business strategy and Executive General Manager Corporate, responsible for business planning, corporate affairs including investor relations and governance systems. She is a former director of the Port Authority of NSW, Australian Postal Corporation, SCEGGS Darlinghurst Limited and the Global Foundation. Penny also served as the inaugural Chair of Advocacy Services Australia Limited (a not-for-profit organisation promoting the interests of the Australian tourism, transport, infrastructure and related industries) from 2008 to 2011.

John Conde AO
Independent Director
BSc, BE (Hons), MBA, FAICD

Appointed to the Board on 29 April 2009, John Conde is an Independent Director of Dexus Funds Management Limited and Dexus Wholesale Property Limited and a member of the Board Audit Committee and Board Nomination Committee.

John is the Chairman of Cooper Energy Limited and the McGrath Foundation. He is President of the Commonwealth Remuneration Tribunal (as President, John automatically serves as a Member of the Independent Parliamentary Expenses Authority) and Deputy Chairman of Whitehaven Coal Limited.

John brings to the Board extensive experience across diverse sectors including commerce, industry and government. He was previously Chairman of Bupa Australia Holdings Pty Limited, Ausgrid (formerly EnergyAustralia), Destination NSW, Sydney Symphony Orchestra and the Australian Olympic Committee (NSW) Fundraising Committee. John was Director of BHP Billiton and Excel Coal Limited, Managing Director of Broadcast Investment Holdings Pty Limited, Director of Lumley Corporation and President of the National Heart Foundation of Australia.

Board of Directors

Tonianne Dwyer
Independent Director
BJuris (Hons), LLB (Hons)

Appointed to the Board on 24 August 2011, Tonianne Dwyer is an Independent Director of Dexus Funds Management Limited and Dexus Wholesale Property Limited, Chair of the Board Risk Committee and a member of the Board Audit Committee and Board Nomination Committee.

Tonianne is a Director of OZ Minerals Limited, ALS Limited and Metcash Limited. She is also Deputy Chancellor and a member of the Senate of the University of Queensland.

Tonianne brings to the Board significant experience as a company director and executive working in listed property, funds management and corporate strategy across a variety of international markets. She was a Director from 2006 until 2010 of Quintain Estates and Development – a listed United Kingdom property company comprising funds management, investment and urban regeneration – and was Head of Funds Management from 2003. Prior to joining Quintain, Tonianne was a Director of Investment Banking at Hambros Bank, SG Cowen and Societe Generale based in London. She also held directorships on Queensland Treasury Corporation and Cardno Limited, the Bristol & Bath Science Park Stakeholder Board, and on a number of boards associated with Quintain's funds management business including the Quercus, Quantum and iQ Property Partnerships.

Mark Ford
Independent Director
Dip. Tech (Commerce), CA, FAICD

Appointed to the Board on 1 November 2016, Mark Ford is an Independent Director of Dexus Funds Management Limited, Chair of the Board Audit Committee and a member of the Board ESG Committee and Board Nomination Committee.

Mark is Chair of Kiwi Property Group and Non-Executive Director of the manager for China Commercial Trust. He is a Director of Prime Property Fund Asia.

Mark has extensive property industry experience and has been involved in Real Estate Funds Management for over 25 years. He was previously Managing Director, Head of DB Real Estate Australia, where he managed more than $10 billion in property funds and sat on the Global Executive Committee for Deutsche Bank Real Estate and RREEF. Mark was also a Director in the Property Investment Banking division of Macquarie and was involved in listing the previous Macquarie Office Fund. His previous directorships include Comrealty Limited, Property Council of Australia, Deutsche Asset Management Australia and he was also Founding Chair of Cbus Property Pty Limited and South East Asia Property Company. Mark previously held senior roles with Price Waterhouse and Macquarie Bank.

The Hon. Nicola Roxon
Independent Director
BA/LLB (Hons), GAICD

Appointed to the Board on 1 September 2017, Nicola Roxon is an Independent Director of Dexus Funds Management Limited, Chair of the Board ESG Committee and a member of the Board People & Remuneration Committee and Board Nomination Committee.

Nicola is the Independent Chair of HESTA and Non-Executive director of Lifestyle Communities Limited, the Utilities Trust of Australia and Health Justice Australia. She also chairs the Lifestyle Communities' Remuneration Committee. Nicola is a Patron for the BreastWest Foundation. Nicola was previously Chair of Cancer Council Australia, Bupa Australia Holdings Pty Limited and the Accounting Professional and Ethical Standards Board.

Nicola brings more than 20 years' experience in government and law which have given her significant insights into the public and professional services sectors. Nicola's past roles as the Commonwealth's first female Attorney-General, Health Minister and Chair of Cancer Council Australia means she brings deep industry knowledge in health, highly regulated consumer industries and the not-for-profit sector.

Prior to entering Parliament as the Member for Gellibrand, Nicola worked as an industrial lawyer and advocate at Maurice Blackburn and the National Union of Workers. She was an Associate to Justice Mary Gaudron at the High Court of Australia.

Peter St George
Independent Director
CA(SA), MBA

Appointed to the Board on 29 April 2009, Peter St George is an Independent Director of Dexus Funds Management Limited and a member of the Board Audit Committee, Board Risk Committee and Board Nomination Committee.

Peter is a Director of First Quantum Minerals Limited (listed on the Toronto Stock Exchange).

Peter has more than 20 years' experience in senior corporate advisory and finance roles within NatWest Markets and Hill Samuel & Co in London. He acted as Chief Executive/Co-Chief Executive Officer of Salomon Smith Barney Australia/NatWest Markets Australia from 1995 to 2001. Peter was previously a Director of Boart Longyear, Spark Infrastructure Group, its related companies and SFE Corporation Limited.

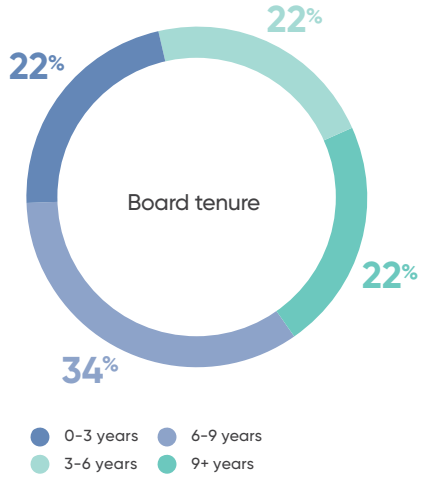
Darren Steinberg
Chief Executive Officer and Executive Director
BEc, FAICD, FRICS, FAPI

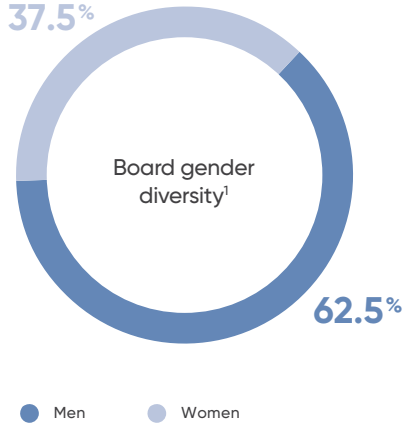
Appointed to the Board on 1 March 2012, Darren Steinberg is the CEO of Dexus and an Executive Director of Dexus Funds Management Limited.

Darren has over 30 years' experience in the property and funds management industry with an extensive background in office, industrial and retail property investment and development. He has a Bachelor of Economics from the University of Western Australia.

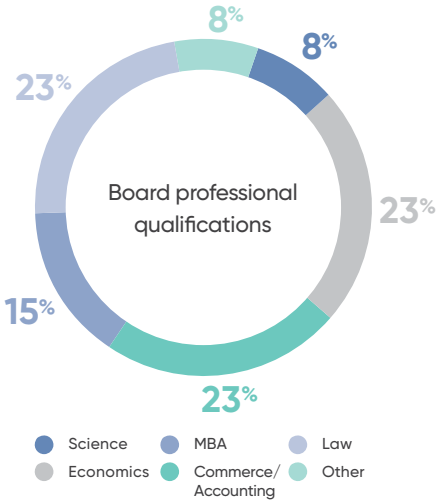
Darren is a Fellow of the Australian Institute of Company Directors, the Royal Institution of Chartered Surveyors and the Australian Property Institute. He is a former National President of the Property Council of Australia and a founding member of Property Male Champions of Change. He is also a Director of VGI Partners Limited and the Sydney Swans.

Board composition





1. Non-Executive Directors only.



Remuneration Report

Board focus

The main objective of the Board People and Remuneration Committee (PRC) is to assist the Board in fulfilling its responsibilities of developing the remuneration strategy, framework and policies for Board approval for the following groups:

- **Non-Executive Directors (NEDs)**
- **Executive Key Management Personnel (Executive KMP), including the Chief Executive Officer (CEO)**
- **Group Management Committee (GMC)**

In FY20, the PRC also undertook a range of activities relating to broader people and remuneration issues including:

- **Reviewing the talent management strategy to ensure it supports performance and cultural goals**
- **Overseeing management's approach to the risk culture framework, metrics and assessment approach (together with the Board Risk Committee)**
- **Monitoring employee engagement, wellbeing and corporate culture metrics**
- **Assessing performance on the inclusion and diversity strategy and progress towards gender diversity targets**
- **Reviewing and recommending performance objectives and Key Performance Indicators (KPIs) for the Executive KMP and GMC to the Board for approval**
- **Reviewing Executive KMP and GMC remuneration, including assessing external benchmarks, market trends and the ongoing appropriateness of the remuneration framework and remuneration outcomes while considering the experience of key stakeholders**
- **Reviewing and approving Executive succession planning and talent management strategies**
- **Monitoring programs to increase Security ownership for KMP and all employees**
- **Reviewing performance against business objectives and strategic goals and recommending remuneration outcomes to the Board for approval**
- **Enhancing disclosures to address investor feedback and recommending the annual Remuneration Report to the Board**

We are pleased to present the Remuneration Report which focuses on our remuneration strategy and outcomes, in addition to our people and culture highlights, for the financial year ending 30 June 2020.

A year of progress despite COVID-19 impact

The unprecedented and challenging environment caused by the COVID-19 pandemic affected the last quarter of the year and had an adverse impact on our overall financial result and the Dexus Security price.

In response to this environment, we implemented cost reduction measures aligned with our long-term focus on delivering sustainable results. These measures impacted the entire business and included a freeze on recruitment and non-essential consultancy spend.

In addition, for the last quarter of the year, Non-Executive Directors (NEDs) and Executives agreed to modest reductions in remuneration. NED base fees and CEO fixed remuneration were reduced by 15%, and other Executives' fixed remuneration was reduced by 10%.

Our financial performance prior to the last quarter of the year was tracking ahead of expectations and we provided upgraded guidance in early February 2020. Our financial performance was transformed by the pandemic as we worked with many of our valued small and medium enterprise customers on various forms of rental relief to support their viability, consistent with the Government mandated Code of Conduct. These actions were a key contributor to the adverse impact on our financial result.

While we were not able to deliver on the upgraded guidance, we were able to maintain a distribution and Adjusted Funds From Operations (AFFO) per security of 50.3 cents, which was consistent with last year.

This result meant the FY20 AFFO per security financial performance goal was not achieved. However, Dexus progressed its strategic objectives and was able to deliver the following financial and non-financial results:

- Return on Contributed Equity (ROCE) was 9.0%, compared to the FY19 result of 10.1%
- Maintained a strong balance sheet with 24.3% gearing (look-through)[1] compared to 24.0% at 30 June 2019
- Dexus's office portfolio remained well positioned against external office benchmarks, outperforming the MSCI Office benchmark over 1, 3 and 5 years
- Six out of seven funds within Dexus's funds management business outperformed their respective external benchmark measures
- Achieved a high customer Net Promoter Score of +50, increasing from +46 in FY19
- Demonstrated our strong culture and engaged workforce by achieving a weighted average employee Net Promoter Score of +61, increasing from +40 in FY19
- Received an A+ rating for all modules in our Principles for Responsible Investment 2020 (PRI) Assessment
- Achieved a 100% safety audit score at Dexus workspaces
- Exceeded our FY20 environmental targets, achieving more than 1 million square metres certified at a minimum 5 star NABERS Energy and 4 star NABERS Water rating

1. Adjusted for cash and debt in equity accounted investments. Proforma gearing includes proceeds and payments for transactions post 30 June 2020 that are expected to settle before 30 September 2020 including the divestment of Finlay Crisp Centre, Canberra, 201 Elizabeth Street, Sydney and 45 Clarence Street, Sydney (subject to FIRB approval), the acquisition of Edward Street, Brisbane (Hermes), payment of Dexus's share of deferred settlement amounts for 80 Collins Street, Melbourne, the industrial property acquisitions of 37-39 Wentworth Street, Greenacre and the Ford Facility at Merrifield Business Park, Mickleham. All other transactions post 30 June 2020 are excluded. Look-through gearing at 30 June 2020 was 26.3%.

MLC Centre (artist's impression)
Sydney

FY20 remuneration outcomes

When reviewing FY20 remuneration outcomes for Executive Key Management Personnel (KMP) against company performance, the Board took into account the impact of the COVID-19 pandemic, as well as reviewing the guidelines released by the Australian Securities and Investments Commission (ASIC) on Executive variable pay for FY20. The Board determined not to exercise upward or downward discretion on incentive outcomes.

Executive KMP Short-Term Incentive (STI) outcomes range from 54% to 57% of maximum, reflecting the challenging business conditions Dexus faced in the last quarter of the year. STI payments were approximately 40% lower than last year displaying alignment between Executive KMP incentive outcomes, Security holder impact and customer experience.

Long-Term Incentive (LTI) for Executive KMP for both Tranche 1 of the 2017 plan and Tranche 2 of the 2016 plan vested at 100% as AFFO and ROCE outperformance hurdles were exceeded.

Outcomes for these tranches were only marginally impacted by COVID-19, as approximately three months were affected out of the three-and four-year performance periods. We expect lower vesting outcomes for future LTI tranches where the economic impact of the COVID-19 pandemic will encompass a greater proportion of the performance period.

Given that Dexus securities are bought on market and held in a trust in order to satisfy LTI awards, the vesting of LTI awards has minimal cash impact.

Approach to FY21 remuneration

We recognise that the key to our ongoing success lies in retaining and attracting high performing people. A key focus for FY21 is to ensure that we retain talented people while maintaining a fair approach to remuneration.

There will be no Executive KMP fixed remuneration increases except for our EGM Funds Management, reflecting her expanding role and remit. NED fees will remain unchanged.

Dexus will maintain the Group's 'through-the-cycle' approach to remuneration in FY21 but with some minor changes to reflect the highly uncertain economic environment in which we are currently operating.

The Board will set STI targets in line with current business forecasts but plans to review these targets in February 2021. This approach will allow for the adjustment of targets if required to avoid unwarranted windfall gains or unachievable targets if the operating environment changes significantly over the next six months. We believe this approach will provide STI targets at the appropriate level throughout FY21.

As of the release of this report, the Board has not confirmed the LTI ranges for the FY21 grant. Given the unique and unprecedented circumstances created by the COVID-19 crisis, the Board is reviewing the LTI performance hurdle ranges with the principle of rewarding the creation of long-term investor value.

Further details are outlined in Section 5 of the Remuneration Report and an update will be provided at our Annual General Meeting (AGM).

Our people are at the centre of what we do. We will continue to invest in their development and reward their achievement of sustainable business outcomes that create value for all our stakeholders.

We continue to strive to enhance the disclosure in our remuneration report and I hope you find this report informative. We look forward to receiving your support at the 2020 AGM.

Penny Bingham-Hall
Chair – People and Remuneration Committee

The report has been prepared and audited in accordance with section 308(3C) of the Corporations Act 2001.

FY21 focus areas

- Monitoring the impact of COVID-19 on the wellbeing of Dexus people
- Addressing the financial impacts of COVID-19 on Dexus's remuneration strategy
- Monitoring succession planning and talent programs
- Reviewing and approving the Group balanced scorecard
- Monitoring and assessing Group, Executive KMP and GMC's performance, including monitoring performance against the Group balanced scorecard and the Short-Term Incentive (STI) plan
- Strengthening our inclusion and diversity approach through targeted programs
- Overseeing Executive and employee remuneration strategies and frameworks to align rewards to performance results and the experience of our investors and customers
- Monitoring risk and organisational culture

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This Remuneration Report forms part of the Directors' Report and outlines the remuneration framework and outcomes for KMP for FY20.

Our remuneration approach

Our remuneration framework supports our "through the cycle" business strategy where market performance and Security holder returns are paramount. The Board sets performance targets for the Short-Term Incentive (STI) and Long-Term Incentive (LTI) to manage Executives' alignment to our strategy.

Our mix of financial and non-financial measures encourage responsible decisions that benefit both the short and long term. Measuring AFFO per security growth and ROCE removes the potential favourable or unfavourable impact of security price volatility, as well as macro-economic variables impacting asset valuations, resulting in remuneration results that reflect controllable performance through the cycle.

1. Introduction

1.1 Key Management Personnel

In this report, KMP are those individuals having the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

They comprise:

- NEDs
- Executive Directors (i.e. the CEO)
- Other Executives considered KMP

The CEO and other Executives considered KMP are referred to collectively as "Executive KMP" in this report. Outlined below are the KMP of the Group during FY19 and FY20.

Independent Non-Executive Directors	**KMP FY19**	**KMP FY20**
W Richard Sheppard Non-Executive Chair	✓	✓
Patrick Allaway Non-Executive Director	✗	From 1 February 2020
Penny Bingham-Hall Non-Executive Director	✓	✓
John C Conde AO Non-Executive Director	✓	✓
Tonianne Dwyer Non-Executive Director	✓	✓
Mark H Ford Non-Executive Director	✓	✓
Nicola Roxon Non-Executive Director	✓	✓
Peter B St George Non-Executive Director	✓	✓
Executive KMP		
Darren J Steinberg Executive Director & Chief Executive Officer	✓	✓
Other Executive KMP		
Deborah C Coakley Executive General Manager, Funds Management	✓	✓
Ross G Du Vernet Chief Investment Officer	✓	✓
Kevin L George Executive General Manager, Office	✓	✓
Alison C Harrop Chief Financial Officer	✓	✓

2. Remuneration strategy and governance

2.1 Our remuneration strategy

Our Vision

To be globally recognised as Australia's leading real estate company

Our Strategy

To deliver superior risk-adjusted returns for investors from high quality real estate in Australia's major cities

Our Remuneration Strategy

To attract, retain and motivate the best people to create a great culture that delivers our business strategy and contributes to sustainable long-term returns

Remuneration principles

Culture

We align reward to our strong risk, high performance, diverse and inclusive culture

Alignment to performance

We reward for performance aligned to our business strategy with an emphasis on equity ownership

Market competitive

We position reward opportunity to attract and retain the best talent

Sustainable

We appropriately reward for both financial and non-financial outcomes

Simple and Transparent

We keep it simple and set clear expectations

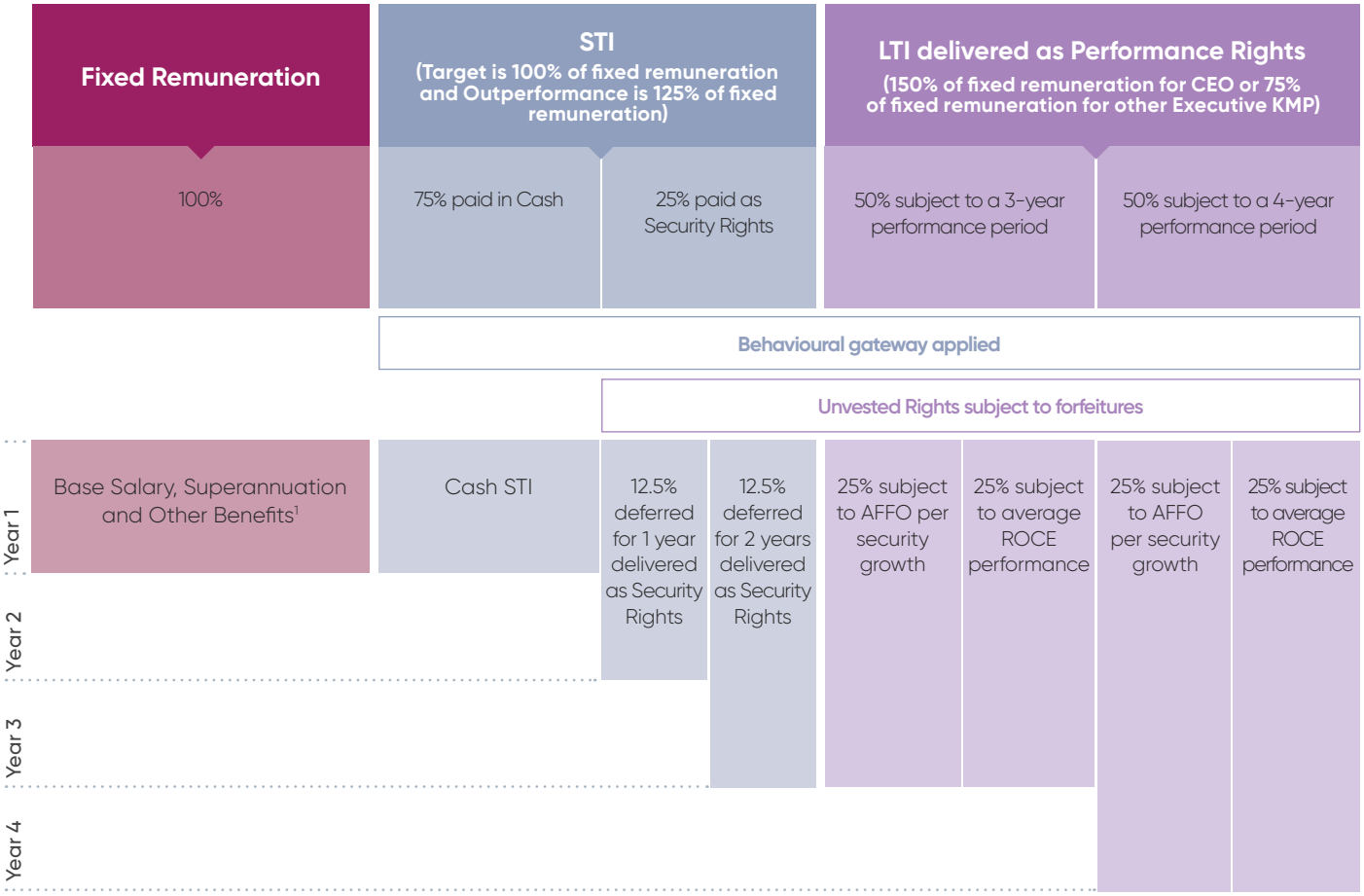
2.2 Executive remuneration components

	Fixed Remuneration (FR)	Short-Term Incentive (STI)	Long-Term Incentive (LTI)
Purpose	Attract and retain Executives with the capability and experience to deliver our strategy.	Reward for performance against annual strategic objectives.	Align performance focus with the long-term business strategy to drive sustained earnings and Security holder returns.
Link to performance	Appropriately compensate Executives for driving a great culture and delivering on the business strategy.	Strategic annual objectives are embedded in each Executive's personalised scorecard of performance measures.	Performance hurdles are set by the Board over three and four-year periods to deliver sustained Security holder value.
Performance measures	Significant position accountabilities that support the execution of the business strategy.	A balanced scorecard of Group financials, customer, culture, environmental sustainability and safety measures. A personalised scorecard of role-based performance measures used to determine an Individual Contribution Factor.	Adjusted Funds from Operations (AFFO) per security growth Average Return on Contributed Equity (ROCE)
Alignment	Attract and retain the best people based upon the competitive landscape among relevant peers.	Reward year-on-year performance achieved in a balanced and sustainable manner.	Encourage sustainable, long-term value creation through equity ownership.
Delivery	Competitive, market-based fixed remuneration. (Base salary, statutory superannuation and other benefits)	Annual cash (75%) Deferred Security Rights with allocation calculated at Face Value (25%) 12.5% 12.5% 1 year 2 years	Performance Rights with allocation calculated at Face Value 50% 50% 3 years 4 years

2.3 Remuneration delivery and mix

The Executive KMP remuneration mix is structured so that a substantial portion of remuneration is delivered as Dexus securities through either deferred STI or LTI. The total remuneration opportunity provides for higher remuneration outcomes if outperformance is delivered. The following diagram (which is not to scale) sets out the remuneration structure and delivery timing for Executive KMP.

Remuneration delivery

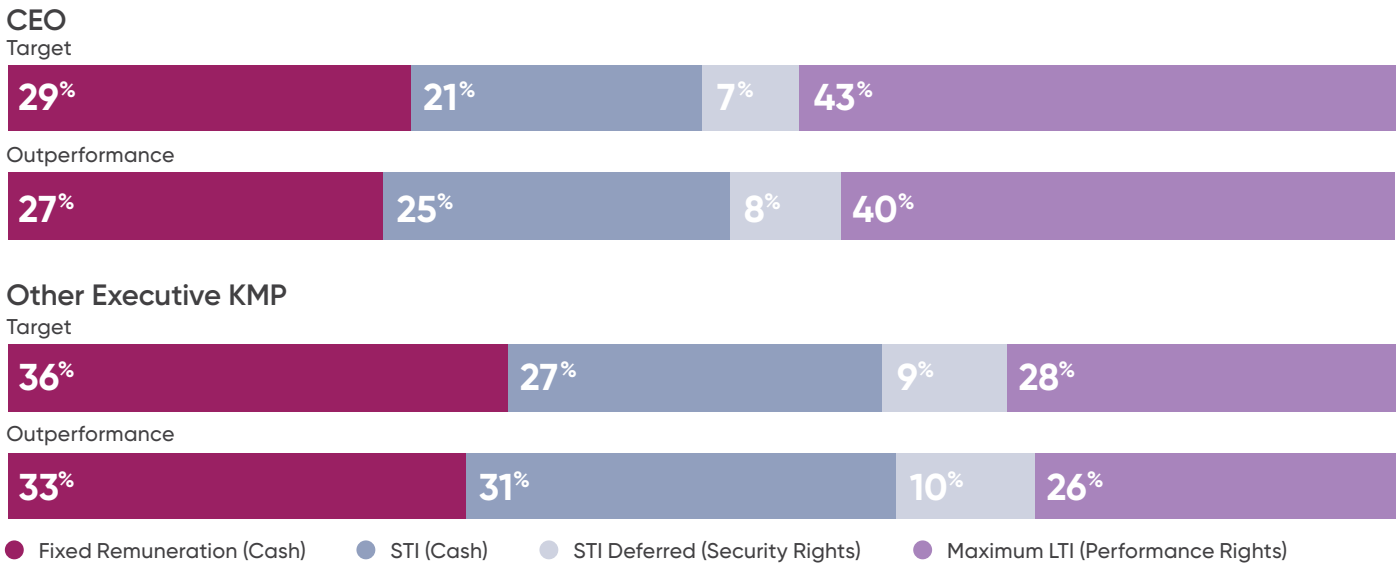


1. Other Benefits comprise wellbeing and insurance arrangements provided to all employees. These benefits do not flow into the STI and LTI calculations.

Remuneration mix

The remuneration components for each Executive KMP are expressed as a percentage of total remuneration, with the STI value varied to reflect target performance (100% of target amount) and outperformance (125% of target amount).

The following diagram sets out the remuneration mix for Executive KMP.



2.4 Dexus Securities Trading Policy

The Securities Trading Policy provides guidance to Directors, Employees (including Key Management Personnel), Contractors and Associates for ongoing compliance with legal obligations relating to trading or investing in financial products managed by Dexus.

The Policy prohibits employees from trading in financial products while they are in possession of Inside Information (non-public price sensitive information) and hedging their exposure to unvested Dexus Securities. Trading in Dexus Securities or related products is only permitted with the permission of the Chair (for Directors and CEO) or the CEO (for Executive KMP and all other staff).

The Group also has Conflict of Interest and Insider Trading policies in place which extend to family members and associates of employees.

2.5 Minimum Security holdings guidelines

A minimum Security holding guideline was introduced on 1 July 2018, with all Executive KMP and GMC members targeting to attain the minimum Security holding within five years of this date, or their appointment to GMC. The value is calculated by reference to the 12-month average fixed remuneration for the relevant financial year. For existing Executive KMP and GMC members as at 1 July 2018, the guide is based on fixed remuneration as at 1 July 2018. By 1 July 2023, the CEO is expected to hold equity to the value of 150% of fixed remuneration and other Executive KMP are expected to hold equity to the value of 75% of their fixed remuneration.

Minimum Security holdings guidelines are also in place for Non-Executive Directors where they are expected to hold the equivalent of 100% of their base fees in DXS Securities, to be acquired over five years from appointment date (as referenced in Section 7.2 of this report).

2.6 Employee Security Ownership Plan (ESOP)

All employees may be eligible to receive up to $1,000 worth of Securities each year for no cash payment under the ESOP.

The number of Securities a participant receives is calculated by dividing $1,000 by the Volume Weighted Average Price (VWAP) of Dexus Securities ten trading days either side of the grant date. The Securities carry all the same rights as a fully owned Security.

The Securities granted under the Plan cannot be sold, transferred, or otherwise disposed of or dealt with for a period of three years after the Grant Date (Restriction Period). Following the expiry of the Restriction Period, participants will be free to sell their Securities (subject to the terms of the Dexus Securities Trading Policy). If a participant ceases to be an employee of Dexus, the restriction will no longer apply, and the Securities may be sold or transferred at the participant's discretion.

2.7 Remuneration governance

People & Remuneration Committee (PRC)

The PRC is responsible for developing the remuneration strategy, framework and policies for NEDs, Executive KMP and the GMC for Board approval.

The responsibilities of the PRC are outlined in the PRC's Terms of Reference available at www.dexus.com/boardcommittees which is reviewed and approved annually by the Board. The primary accountabilities of the PRC are:

- Reviewing and recommending to the Board for approval Dexus's Remuneration practices, which covers Executive KMP, GMC members and all other Dexus employees
- Reviewing and approving the Group Scorecard, annual performance objectives and KPIs of the CEO and GMC members
- Recommending to the Board for approval CEO and GMC members' remuneration and incentive payments
- Reviewing and approving aggregate fixed remuneration changes and annual incentive payments for all Dexus employees
- Reviewing and recommending to the Board for approval the Code of Conduct and other key policies
- Reviewing and recommending to the Board for approval the Diversity Principles, including identification of measurable objectives for achieving gender diversity and progress towards those objectives
- Reviewing and approving processes and information on talent assessments, leadership development and succession planning
- Reviewing processes and metrics for measuring culture and behaviours, including risk culture areas
- Oversee general people and culture practices including the risk of gender or other bias in remuneration of Directors, GMC members and other employees

Members

The PRC members have experience in remuneration, people, leadership, human resources, risk management and compliance which enables effective oversight and governance of Dexus's remuneration framework.

Meetings

The PRC is required to meet at least three times per year. In FY20 the PRC met five times to discuss and review remuneration, and people and culture related matters.

Accurate and complete committee papers are provided to all PRC members prior to meetings to enable timely, considered and effective decision making. The PRC may request additional information from management or external advisors where required.

Remuneration decision making

When discussing the remuneration strategy, framework and outcomes, the PRC seeks input from:

- Audit Committee
- Risk Committee
- People and Culture team
- Independent external advisors (when required)

For remuneration concerning the Executive KMP, not including the CEO, the CEO's input was sought to help guide discussions and provide input on Executive KMP performance throughout the year. The CEO's remuneration was considered separately to manage conflicts of interest.

The PRC uses a range of inputs when assessing Executive KMP performance and determining remuneration outcomes:

- Financial performance – measured using audited financial measures
- Management providing detailed examples of how non-financial outcomes have been achieved
- Demonstrated leadership of the Dexus values and behaviours
- External remuneration benchmarking provided by independent external advisors

Under certain circumstances, the PRC and Board may adjust proposed remuneration outcomes for Executive KMP and the GMC, or require a forfeit of unvested Security Rights or Performance Rights (Rights) issued under the Dexus LTI or STI Plans.

3. FY20 remuneration structure

3.1 Fixed remuneration

The Group's fixed remuneration strategy is to offer market competitive rates to attract and retain top talent. Remuneration levels are set based on role size, complexity, scope and leadership accountability. Dexus is committed to continue adhering to the principle of pay equity, which has progressed gender pay equity across Dexus in like-for-like roles. To determine fixed remuneration levels, Dexus benchmarks externally against A-REIT ASX100 companies, and compare similar roles in organisations with similar market capitalisation.

As announced on 5 May 2020, Non-Executive Directors' base fees and the CEO's base salary were reduced by 15%. Executive KMP, GMC members' and other executives' base salaries were reduced by 10% for the period 1 April 2020 to 30 June 2020. This measure was taken to assist in absorbing the financial impact of COVID-19 and reverted to prior levels on 1 July 2020.

The resulting annual fixed remuneration for Executive KMP in FY20 were as follows:

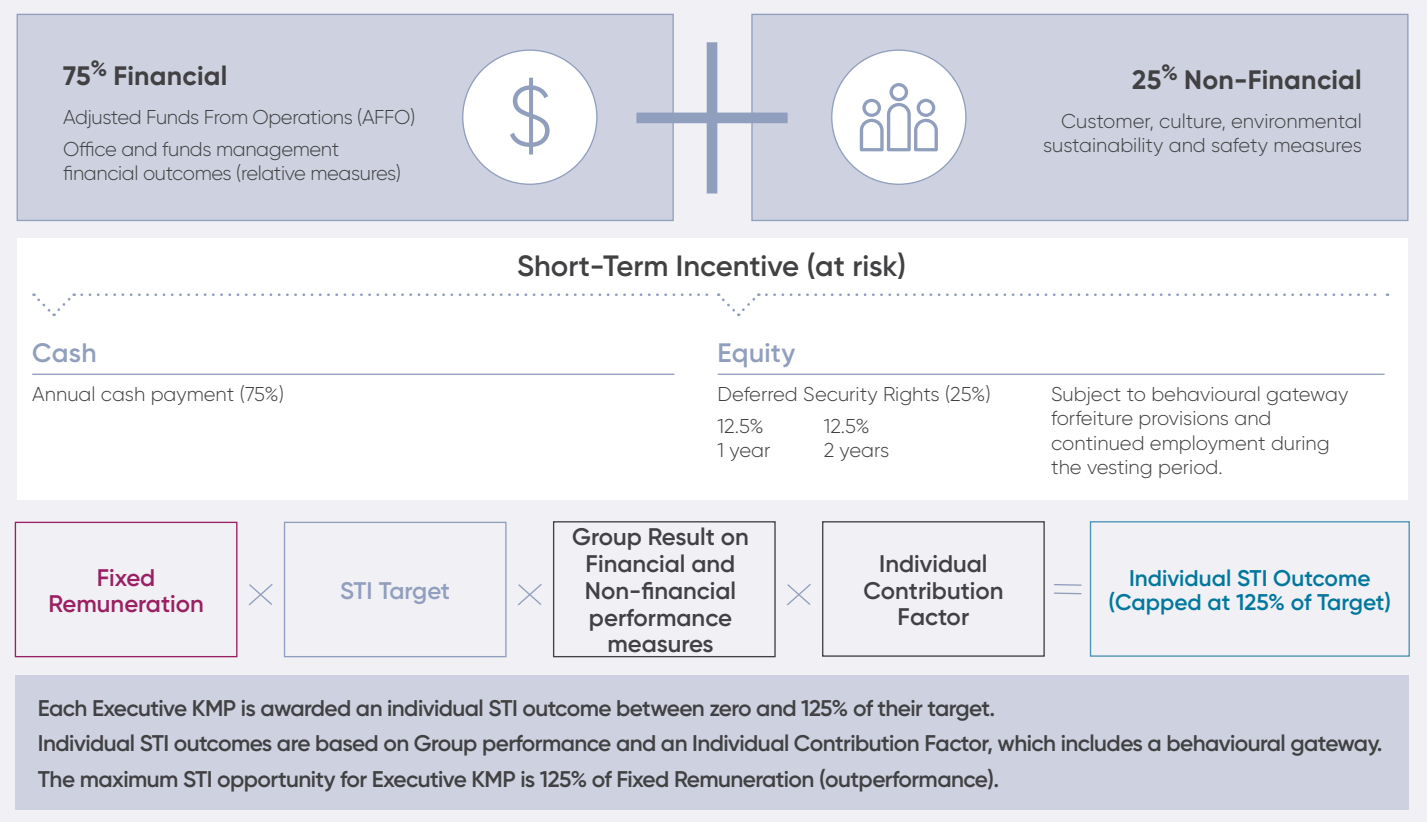
Executive KMP	Contract annual fixed remuneration ($)	Annual fixed remuneration with reduction[1] ($)
Darren J Steinberg	1,600,000	1,540,788
Ross G Du Vernet	750,000	731,775
Kevin L George	750,000	731,775
Alison C Harrop	750,000	731,775
Deborah C Coakley	675,000	658,650

1. A 15% reduction over the period 1 April 2020 to 30 June 2020 represents a 3.7% reduction in annual fixed remuneration. A 10% reduction over the period 1 April 2020 to 30 June 2020 represents a 2.4% reduction in annual fixed remuneration.

3.2 Short-Term Incentive (STI)

The STI plan is aligned to Security holder interests by:

- Encouraging Executives to achieve year-on-year performance in a balanced and sustainable manner
- Mandatory deferral of 25% of each STI award into Security Rights deferred over one and two years, acting as a retention mechanism and providing further alignment with Security holders' interests



STI plan structure

Financial performance measures (75% of Group results)

The financial performance measures have been selected so the overall focus of Executive KMP is on achieving the financial hurdles outlined by the annual business plans. AFFO per security growth reflects the Group's overall financial performance and cash flow. Office and Funds Management financial outcomes incentivise each business area to achieve market competitive results relative to industry benchmarks.

Non-financial performance measures (25% of Group results)

The non-financial performance measures provide the Board with a mechanism to enhance the sustainability of annual results and make sure Dexus's strategic, people and customers goals are reflected in Executive KMP's remuneration outcomes.

Behavioural gateway (across entire award)

In FY20, Dexus introduced a behavioural gateway for Executive KMP to further align performance with Dexus's values and expectations of Executive KMP and GMC. The gateway requires there is no material financial misstatement, workplace fatality or actions that are not in keeping with the commercial or ethical standards expected by the Board and our stakeholders. If a participant of the STI plan does not meet this gateway, then the individual's award will automatically be forfeited, regardless of company performance.

Individual Contribution Factor (ICF) (award multiplier)

The ICF is a multiplier that applies to the Group results and can range between 0% and 125%. At the end of the year, the CEO assesses Executive KMP performance to determine their ICF outcome (in the case of the CEO, the Board Chair assesses his performance).

STI outcomes are capped at 125% of target STI, even where both Group performance and an individual's contribution result in exceptional results (i.e., a Group scorecard result of 125% and ICF result of 125% will still result in a final STI outcome of 125%).

The ICF outcome is determined by assessing the performance of the individual in relation to the unique challenges they faced that year, as well individual performance objectives set at the start of the performance year. These objectives can include a combination of strategic, people, safety and risk, leadership, governance and financial measures that are specific to that Executive.

How much of the STI award is deferred?

25% of any award under the STI plan is deferred into rights of Dexus securities.

The Security Rights vest in two equal tranches, 1 and 2 years after being granted. Security Rights deferred under the STI plan are subject to forfeiture and vest based on continued employment.

The number of Security Rights awarded is based on 25% of the awarded STI value divided by the volume weighted average price (VWAP) of Dexus securities 10 trading days either side of the first trading day of the new financial year.

The remaining 75% of any award is paid in cash in August following the announcement of the Group's annual results.

Dexus securities are purchased on market to satisfy the deferred Security Rights for the STI plan.

Are distributions paid on unvested Security Rights awarded under the STI plan?

For the portion of STI deferred as Security Rights, participants are entitled to the benefit of distributions paid on the underlying Dexus securities prior to vesting through the issue of additional Security Rights at the time of vesting.

Board discretion to determine outcomes

The Board has the discretion to adjust STI outcomes upward or downward, including to zero, where:

- The STI scorecard outcome does not reflect the actual participant's performance or conduct, the performance of the Executive KMP's business unit or functional unit, or the overall Group performance
- There have been unintended consequences or outcomes as a result of the Executive KMP's actions, including where the original performance outcomes have not been realised following initial assessment
- The STI outcomes are materially misaligned with the shareholder experience of Security holders.

The Board would typically exercise its discretion in situations where the combination of performance measures, behavioural modifier and ICF have not resulted in remuneration outcomes that reflect actual Group performance or the experience of security holders. The Board can apply its discretion on Group outcomes or at the individual level.

When are STI awards forfeited?

Forfeiture will occur should the participant's employment terminate within six months of the grant date for any reason, or if the participant voluntarily resigns or is terminated for cause prior to the vesting date.

Security Rights may be reduced or cancelled at the Board's discretion including in the following circumstances:

- Committing an act of fraud
- Wilful misconduct
- Serious or wilful negligence or incompetence
- Behaving in a way that does not meet the Code of Conduct and results in reputational damage to Dexus
- Being convicted of a criminal offence
- If there has been a material misstatement of the Group's financial accounts as a consequence of a deliberate misrepresentation or fraud

Notwithstanding the above, if a participant's employment is terminated and they are deemed a "Good Leaver" (i.e., in circumstances of retirement, redundancy, death, illness, serious disability or permanent incapacity, or other unforeseen circumstances), the PRC may recommend the Board exercise its discretion to vest some or all of the Security Rights at the time of termination.

3.3 Long-Term Incentive (LTI)

The LTI plan is aligned to Security holders' interests in the following ways:

- Encourages Executives to make sustainable business decisions within the Board-approved strategy of the Group
- Aligns the financial interests of Executives participating in the LTI Plan with Security holders' through exposure to Dexus Securities

The two performance conditions under the LTI plan are growth in AFFO per security (implied CAGR)[1] and average ROCE[2] over both three and four-year periods. These performance conditions are weighted equally, measured distinctly in each tranche, and align the plan outcomes with the commercial long-term performance that is within the Executives' ability to influence. The Board's view is that Security holders will be rewarded over time by superior market performance of the Group when Executives meet or exceed the hurdles in place.

The outcomes from these performance measures demonstrate decisions made by management to generate revenue and improve earnings and capital management.

Each Executive KMP is allocated an LTI opportunity subject to performance hurdles. The award may vest between 50% to 100% of the allocation amount based on performance. LTI awards do not vest if performance targets are not met.

The maximum LTI opportunity for the CEO is 150% of Fixed Remuneration, and for other Executive KMP is 75% of Fixed Remuneration.

1. The implied compound annual growth rate refers to the nominal growth per annum that is required to achieve the AFFO per security hurdle over the vesting period.
2. The ROCE calculation excludes the impact of stabilised asset revaluations and includes the revaluations of major completed developments.

LTI performance measures

AFFO per security growth is a key measure of growth and is calculated in line with the Property Council of Australia's (PCA) definition. AFFO comprises net profit/loss after tax attributable to stapled Security holders, calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and foreign exchange mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, certain transaction costs, one-off significant items, amortisation of intangible assets, movements in right-of-use assets and lease liabilities, rental guarantees and coupon income, less maintenance capital expenditure and lease incentives.

This hurdle enables the Board to reward the performance of management having regard to revenue generation (adjusted for maintenance capital expenditure and incentives) using an implied CAGR of the Group's aggregate AFFO earnings per security.

In FY20, Dexus did not achieve AFFO per security growth for the year.

Average ROCE represents the annualised average return on contributed equity, calculated as a percentage, comprising AFFO together with the net tangible asset impact from completed developments, divided by the weighted average contributed equity during the period. ROCE is measured as the per annum average at the respective conclusion of the three and four-year vesting periods.

This hurdle enables the Board to reward the performance of management having regard to the level of returns generated on Security holder equity through a combination of improving earnings and capital management.

NTA impact from completed developments is calculated as the book value on the first statutory reporting period after practical completion, less the book value at commencement less development costs.

- Completed developments comprise major developments defined in accordance with Dexus guidelines for capital expenditure which have regard to the quantum of development expenditure, increase in net lettable area, leasing and/or rezoning or change of use. Completed developments exclude trading assets that generate trading profits which are captured in AFFO
- During FY20 the following completed developments have been included in the calculation of ROCE:
  - 189 Flinders Lane, Melbourne, VIC
  - 175 Pitt Street, Sydney, NSW (city retail)
  - The Annex, 12 Creek Street, Brisbane, QLD
  - 240 St Georges Terrace, Perth, WA

ROCE is calculated as follows each year: ROCE = (AFFO + NTA impact from completed developments) / Contributed Equity. The ROCE calculation excludes the impact of stabilised asset revaluations and includes the revaluations of major completed developments. Contributed equity is based on the book value of equity (i.e. reflected in the balance sheet) and is a weighted average calculation. For FY20, ROCE = ($550.5m + $106.9m) / $7,333.7m = 9.0%

Compared to the use of relative measures, the two absolute measures provide greater focus on the fundamentals of Dexus's business and on the performance of the Executive team in meeting the hurdles set by the Board. AFFO per security growth and ROCE remove the potential favourable or unfavourable impact of Security price volatility, as well as the composition vagaries of listed and unlisted peer groups. AFFO is included in both the STI and LTI plans as it contributes significantly to Security holder returns in both the short-term and long-term.

Each year, the Board reviews existing performance measures and their associated vesting schedule to align with Security holder expectations and Dexus's current Strategy. In FY20, the Board reviewed the measures and resolved to retain the LTI in its current form, as AFFO per security growth and ROCE are critical business metrics which will drive market performance and Security holder returns.

LTI hurdle ranges

The Board sets the hurdle range and vesting schedule for LTI performance measures over three and four-year periods. The Board does not reset or change the hurdle range or vesting schedules during the performance period. The Board aligns the hurdle range with the Group's key operational metrics of maintaining a 'through the cycle' AFFO per security growth range of 3% to 5% and ROCE of 7% to 10%.

Actual AFFO per security growth and average ROCE performance achieved relative to the hurdles are disclosed retrospectively at the end of the performance period. Dexus does not publish details of the hurdles prior to the testing of the first tranche at the end of the first performance period (year 3) as this would result in the disclosure of commercially sensitive information in connection with the Group's forecasts.

Vesting under both the AFFO per security growth and average ROCE measures are on a sliding scale against performance conditions set by the Board		
AFFO and ROCE Performance	Vesting outcome	Hurdle range
Below Target Performance	Nil vesting	Below hurdle range set by Board
Target performance	50% vesting	Hurdle range set between the 'through the cycle' ranges of: – AFFO per security growth 3% to 5% – ROCE 7% to 10%
Between Target and Outperformance	Straight line vesting	
Outperformance	100% vesting	Within or above the through the cycle hurdle range

The Group aims to continually deliver AFFO per security growth and ROCE performance year on year, but fluctuations are to be expected. Factors that may cause fluctuation in AFFO are built into business forecasting and include the development pipeline, leasing assumptions, economic forecasts, management's actions in applying rent-free periods, incentives and maintenance capital expenditure.

LTI plan structure

How is the number of Performance Rights determined?

The number of Performance Rights granted is equal to the participant's LTI grant value (based on a percentage of fixed remuneration) divided by the VWAP of Dexus Securities ten trading days either side of the first trading day of the new financial year. The methodology calculates grants based on 'face value' rather than 'fair value'.

The maximum LTI opportunity at grant is set at 150% of fixed remuneration for the CEO and 75% for other Executive KMP.

Do participants receive distributions on unvested LTI awards?

Participants are not entitled to distributions paid on underlying Dexus Securities during the performance period prior to Performance Rights being tested for vesting.

Board discretion to determine outcomes

The Board has the discretion to adjust LTI outcomes upward or downward, including to zero, where:

- The LTI outcome does not reflect the participant's performance or conduct, the performance of the Executive KMP's business unit or functional unit, or the overall Group performance
- There have been unintended consequences or outcomes as a result of the Executive KMP's actions, including where the original performance outcomes have not been realised following initial assessment
- The LTI outcome is materially misaligned with the experience of Security holders

The Board would typically exercise its discretion in situations where performance assessment has not resulted in remuneration outcomes that reflect actual Group performance or the experience of Security holders. The Board can apply its discretion on Group outcomes or at the individual level.

When are LTI awards forfeited?

If the performance hurdles are not met, Performance Rights relating to that tranche will be forfeited. There is no retesting of forfeited Performance Rights. The Board maintains the discretion to forfeit unvested Performance Rights in the case of significant misconduct or material misstatement of performance.

Additionally, forfeiture will occur should the participant's employment terminate within 12 months of the grant date for any reason, or if the participant voluntarily resigns or is terminated for cause prior to the vesting date.

Notwithstanding the above, if a participant's employment is terminated and they are deemed a "Good Leaver" (i.e. in circumstances of retirement, redundancy, death, illness, serious disability or permanent incapacity, or other unforeseen circumstances), the PRC may recommend the Board exercise its discretion to vest some or all of the Performance Rights at the time of termination.

How is the LTI Plan administered

The administration of the LTI plan is supported by the LTI plan rules.

Dexus Securities are purchased on market (for all participants including the CEO) to satisfy the Performance Rights for the LTI plan. The Board retains the right to amend, suspend or cancel the LTI plan at any time.

4. FY20 performance and remuneration outcomes

The following sections outlines Dexus's performance outcomes and subsequent remuneration outcomes for Executive KMP.

4.1 Group scorecard performance outcomes

For the FY20 STI, the Board considered a range of Financial and Non-Financial performance measures and hurdles that, if achieved, would be key indicators of company performance and drivers of Security holder value. The Board set Threshold, Target and Outperformance hurdles at the beginning of the financial year.

Financial performance (75%)			
Category	Measurements	FY20 result	Comments
Group performance (50%)			
	– AFFO per security growth ***Threshold:*** *4.5% – 4.9%* ***Target:*** *5.0% – 5.4%* ***Outperformance:*** *>5.4%*	0%	– AFFO per security of 50.3 cents, consistent with FY19, and resulting in growth not being achieved for the year
Leadership in office (12.5%)			
	– Dexus's office portfolio performance versus external benchmarks over 3 and 5 years	12.5%	– Dexus's office portfolio outperformed the PCA/MSCI office benchmark over 3 and 5 years, consistent with target
Funds performance (12.5%)			
	– DWPF versus benchmarks over 3 and 5 year returns – All other funds outperforming financial objectives and hurdles	15.6%	– Achieved strong performance across all funds with DWPF outperforming its benchmark over 1, 3, 5, 7 and 10 years – Outperformed 5 of the 6 financial objectives and hurdles for other funds

Non-financial performance (25%)			
Category	Measurements	FY20 result	Comments
Customer (10%)			
	– Customer Net Promoter Score (NPS)	12.5%	– Customer NPS increased to +50 in FY20 (+46 in FY19)
People & capabilities (10%)			
	– Safety audit score and zero fatalities from incidents – Employee NPS – Implementation of Program One (multi-year technology systems upgrade and consolidation project)	10.8%	– Zero fatalities and a safety audit score of 100% across Dexus's corporate and management workplaces – Employee NPS +61 (+40 in FY19) – Program One delivered with only minimal time delays and additional costs
Environment (5%)			
	– Delivery of environmental commitments	5.9%	– Dexus achieved its 2020 NABERS Energy and NABERS Water targets set in 2015 – Dexus accelerated its investment in solar including installations at select retail properties (Willows, Deepwater, Beenleigh) and commenced discussions with industrial tenants for solar installations across Dexus Industrial Partnership portfolio
Actual Group scorecard outcome		**57.3%**	

Key

Category	Culture	Alignment to performance	Market competitive	Sustainable	Simple and transparent
FY20 Result	Outperformance (above target)	Target (full achievement against targets)	Partial (between Threshold and Target achievement)	Threshold (minimum achievement against targets)	Not achieved

4.2 Actions taken in response to COVID-19

The Board recognises the actions taken by Executive KMP throughout FY20 to mitigate the financial impacts of COVID-19 and work towards Dexus's overall business strategy to deliver superior risk-adjusted returns and contribute towards sustainable, long-term returns.

Some of the actions taken by Executive KMP include:

- Freezing recruitment and non-essential consultancy spend
- Not accessing JobKeeper subsidies
- Providing rent relief to support valued small and medium enterprise customers
- Developing detailed COVIDSafe plans for all our property assets and assisting customers to safely return to work
- Maintaining a strong operational and sustainability position during crisis management
- Temporary reductions in Executive KMP, GMC members' and other executives' base salaries

4.3 FY20 STI remuneration outcomes

The PRC reviewed FY20 STI outcomes against company performance, including the unprecedented circumstances created by the COVID-19 pandemic. The actual Group scorecard outcome was 57.3% of target. The PRC deemed these results consistent with the objectives of the STI and recommended to the Board that the final Group scorecard outcome be 57%, which was subsequently approved. There was no discretion applied to the result either upward or downward.

Additionally, the Executive KMPs' Individual Contribution Factors ranged from 120% to 125% and were determined with reference to each Executive KMP's personalised scorecard of performance measures and leadership contribution during FY20.

This resulted in the Board awarding the CEO 57% of the maximum STI in FY20. For other Executive KMP, the STI awards ranged from 54% to 57% of maximum STI. These outcomes reflect the challenging business conditions Dexus faced in the last quarter of the year and are approximately 40% lower than STI awards received in FY19.

The STI awards made to each Executive KMP with respect to their performance during the year ended 30 June 2020 are provided below. The 75% cash component will be paid in August 2020 following the approval of the statutory accounts and announcement of the Group's annual results. This payment will form a part of the FY21 cash earnings for Executive KMP.

Executive KMP	STI target % of fixed remuneration	STI max % of fixed remuneration	STI award ($)	% of target STI awarded	% of maximum STI awarded	% of maximum STI forfeited	% of STI award deferred
Darren J Steinberg	100%	125%	$1,140,000	71.3%	57.0%	43.0%	25%
Ross G Du Vernet	100%	125%	$534,375	71.3%	57.0%	43.0%	25%
Kevin L George	100%	125%	$513,000	68.4%	54.7%	45.3%	25%
Alison C Harrop	100%	125%	$513,000	68.4%	54.7%	45.3%	25%
Deborah C Coakley	100%	125%	$480,938	71.3%	57.0%	43.0%	25%

Deferred STI

The number of Security Rights granted to Executive KMP is determined by dividing the Deferred STI value by the VWAP of Dexus Securities ten trading days either side of the first trading day of the new financial year, which was $9.6478.

The below details the number of Security Rights granted to Executive KMP on 1 July 2020 under the Deferred STI plan. Dexus Securities relating to Deferred STI are purchased on-market in accordance with ASX Listing Rule 10.15B and are held by the Dexus Performance Rights Plan Trust until required.

Executive KMP	Value of deferred STI $	Number of Security Rights granted	1st vesting date 50%	2nd vesting date 50%
Darren J Steinberg	$285,000	29,540		
Ross G Du Vernet	$133,593	13,847		
Kevin L George	$128,250	13,293	1 July 2021	1 July 2022
Alison C Harrop	$128,250	13,293		
Deborah C Coakley	$120,234	12,462		

4.4 LTI awards which vested during FY20

AFFO per security growth and ROCE were established as the performance measures in 2016, simplifying the LTI plan and providing greater alignment with the business strategy and the metrics that drive long-term company performance. Prior grants had four performance measures including two relative measures (TSR and ROE). The Group compared itself to companies within the following indices:

- Relative TSR – S&P/ASX200 A-REIT Index
- Relative ROE – Mercer IPD Core Wholesale Property Fund Index

The second tranche of the 2015 LTI plan and the first tranche of the 2016 LTI plan vested for participating Executive KMP on 1 July 2019. The vesting outcomes of 100% and 100% respectively was determined by the Board, referencing the previously approved hurdle ranges.

Results of each performance measure for the second tranche of the 2015 LTI Plan:

Performance measure	Weighting	Hurdle range	Group result	Vesting outcome
FFO growth[1]	25%	3.0% to 5.0%	5.7%	100%
Average ROE[2]	25%	9.0% to 10.0%	17.1%	100%
Relative TSR[3]	25%	Median to 75th percentile	3rd out of 16	100%
Relative ROE[4]	25%	Median to 75th percentile	2nd out of 16	100%
		Overall result due to weighting		**100%**

Results of each performance measures for the first tranche of the 2016 LTI Plan:

Performance measure	Weighting	Hurdle range	Group result	Vesting outcome
AFFO per security growth[5]	50%	3.5% to 4.5%	5.6%	100%
Average ROCE[6]	50%	7.5% to 8.0%	8.5%	100%
		Overall result due to weighting		**100%**

1. FFO growth was measured on a linear scale for testing, with a 3.0% CAGR set as the target hurdle (where 50% would vest) and 5.0% set as the outperformance hurdle (where 100% would vest). Dexus's FFO growth result over the four-year performance period was 5.7%, resulting in full vesting from this performance measure.
2. Average ROE was measured on a linear scale for testing, with a 9.0% simple ROE average set as the target hurdle (where 50% would vest) and 10.0% set as the outperformance hurdle (where 100% would vest). Dexus's average ROE result was 17.1% over the four-year performance period, resulting in full vesting from this performance measure.
3. Relative TSR was measured with reference to the TSR percentile rank of Dexus against a comparator group of the S&P/ASX 200 A-REIT Index. A median rank was set as the target hurdle (where 50% would vest) and a 75th percentile or better rank was set as the outperformance hurdle (where 100% would vest). Dexus's relative TSR rank of 3 out of 16 listed A-REIT peers over the four-year performance period resulted in full vesting from this performance measure.
4. Relative ROE was measured with reference to the average ROE result achieved by Dexus against a comparator group comprising the members of the Mercer IPD Core Wholesale Property Fund Index. A median rank was set as the target hurdle (where 50% would vest) and a 75th percentile or better rank was set as the outperformance hurdle (where 100% would vest). Dexus's relative ROE ranked of 2 out of 16 unlisted property peers over the four-year performance period, resulting in full vesting from this performance measure.
5. AFFO growth was measured on a linear scale for testing, with a 3.5% CAGR set as the target hurdle (where 50% would vest) and 4.5% set as the outperformance hurdle (where 100% would vest). Dexus's AFFO growth result over the four-year period was 5.6%, resulting in full vesting from this performance measure.
6. Average ROCE was measured on a linear scale for testing, with a 7.5% ROCE average set as the target hurdle (where 50% would vest) and 8.0% set as the outperformance hurdle (where 100% would vest). Dexus's ROCE growth result over the four-year period was 8.5%, resulting in full vesting from this performance measure.

4.5 LTI awards which will vest in FY21

On 1 July 2020, the second tranche of the 2016 LTI plan and the first tranche of the 2017 LTI plan was eligible for vesting for participating Executive KMP.

The vesting outcome was determined by the Board, referencing the previously approved hurdle ranges set and communicated to participants upon the original grant dates of 1 July 2016 and 1 July 2017 respectively.

Vesting outcomes for these tranches were only minimally impacted by COVID-19 (i.e., as approximately three months were affected out of a three and four-year performance period). We expect to see lower vesting results for future LTI tranches where the economic impact of the COVID-19 pandemic encompasses a greater proportion of the performance period.

Results of each performance measure within tranche 2 of the 2016 LTI plan:

Performance measure	Weighting	Hurdle range	Group result	Vesting outcome
AFFO per security growth	50%	3.5% – 4.5%	5.1%	100%
Average ROCE	50%	7.5% – 8.0%	8.6%	100%
		Overall result due to weighting	**100%**	

Results of each performance measure within tranche 1 of the 2017 LTI plan:

Performance measure	Weighting	Hurdle range	Group result	Vesting outcome
AFFO per security growth	50%	3.0% – 4.0%	4.3%	100%
Average ROCE	50%	7.5% – 8.0%	8.9%	100%
		Overall result due to weighting	**100%**	

Further details of these vesting tranches will be provided in the FY21 Remuneration Report.

4.6 Actual remuneration based on performance and service through FY20

The actual remuneration awarded during the year comprises the following elements:

- Cash salary including any salary sacrifice arrangements. As noted earlier in the report, the CEO base salary was reduced by 15% and Executive KMP, GMC members' and other executives' base salaries were reduced by 10% for the period 1 April 2020 to 30 June 2020
- Superannuation benefits
- Other short-term benefits comprised of the wellbeing allowance and insurance arrangements provided to all employees
- STI cash payment to be made in August 2020 in recognition of performance during FY20 (noting that 25% of the award is deferred and will be reported in future years)
- The value of the deferred STI from prior years that vested on 1 July 2020 (being the number of Security Rights that vested multiplied by the VWAP for the five days prior to the vesting date)
- The value of Performance Rights that vested in relation to the LTI on 1 July 2020 (being the number of Performance Rights that vested multiplied by the VWAP for the five days prior to the vesting date)

These values differ from the Executive statutory remuneration table which has been prepared in accordance with statutory requirements and accounting standards.

Executive	Cash salary ($)	Super-annuation benefits ($)	Other short-term benefits ($)	STI cash payment ($)	Deferred STI vested ($)	LTI vested ($)	Total ($)
Darren J Steinberg	1,519,785	21,003	6,132	855,000	439,249	1,901,473	4,742,642
Ross G Du Vernet	710,772	21,003	2,512	400,781	193,323	398,118	1,726,509
Kevin L George	710,772	21,003	5,342	384,750	177,938	410,799	1,710,604
Alison C Harrop	710,772	21,003	5,807	384,750	171,748	359,991	1,654,701
Deborah C Coakley	637,647	21,003	2,503	360,703	153,003	337,209	1,512,068

4.7 Statutory remuneration

The total remuneration paid to Executive KMP for FY20 and FY19 is calculated in accordance with AASB 124 Related Party Disclosures. Amounts shown under Long-term benefits reflect the accounting expense recorded during the year with respect to prior year deferred remuneration and awards that have or are yet to vest.

		Short term benefits			Long term benefits				Security-based benefits		
Executive KMP	Year	Cash salary	STI cash award	Annual leave entitlement	Other short-term benefits	Super-annuation benefits	Termination benefits	Long service leave movement	Deferred STI plan accrual	LTI plan accrual	Total
Darren J Steinberg	FY20	1,519,785	855,000	6,367	6,132	21,003	–	40,480	420,478	1,402,755	4,272,000
	FY19	1,579,468	1,500,000	-18,265	5,075	20,532	–	35,113	552,092	2,472,707	6,146,722
Ross G Du Vernet	FY20	710,772	400,781	-14,034	2,512	21,003	–	18,444	193,005	318,192	1,650,675
	FY19	729,468	703,125	10,417	2,181	20,532	–	19,035	241,128	538,160	2,264,046
Kevin L George	FY20	710,772	384,750	19,688	5,342	21,003	–	16,483	178,021	320,130	1,656,189
	FY19	729,468	618,750	11,055	4,440	20,532	–	16,344	224,948	553,614	2,179,151
Alison C Harrop	FY20	710,772	384,750	-51	5,807	21,003	–	33,305	174,259	304,773	1,634,618
	FY19	704,468	598,125	12,326	5,411	20,532	–	–	214,195	491,636	2,046,693
Deborah C Coakley	FY20	637,647	360,703	-7,826	2,503	21,003	–	17,743	160,902	275,082	1,467,757
	FY19	579,468	562,500	17,770	2,301	20,532	–	11,722	190,497	438,630	1,823,420
Total	**FY20**	**4,289,750**	**2,385,984**	**4,144**	**22,296**	**105,015**	**–**	**126,455**	**1,126,665**	**2,620,932**	**10,681,241**
	FY19	**4,322,340**	**3,982,500**	**33,303**	**19,408**	**102,660**	**–**	**82,214**	**1,422,860**	**4,494,747**	**14,460,032**

1. The accounting value of leave movements may be negative; for example, where an Executive's annual leave balance decreases as a result of taking more than the 20 days' annual leave they accrue during the current year. Long service leave accrues from five years of service and the accrual may seem high in the first year.

4.8 Historical performance outcomes

The following tables and graph outlines Dexus's historical financial performance. These results flow into the Group scorecard outcomes for the STI, as well as LTI vesting results.

Five-year financial performance

		FY20	FY19	FY18	FY17	FY16
Funds From Operations (FFO)	($m)	730.2	681.5	653.3	617.7	610.8
Adjusted Funds From Operations (AFFO)	($m)	550.5	517.2	485.5	439.7	413.9
Net Profit After Tax (NPAT)	($m)	983.0	1,281.0	1,728.9	1,264.2	1,259.8
AFFO per security	(cents)	50.3	50.3	47.7	45.4	42.7
AFFO per security growth	**(%)**	–	**5.5**	**5.1**	**6.3**	**5.7**
Distribution per Security (DPS)	(cents)	50.3	50.2	47.8	45.47	43.51
Return on Equity (ROE)	(%)	8.4	13.9	19.8	18.2	19.3
Return on Contributed Equity (ROCE)	**(%)**	**9.0**	**10.1**	**7.6**	**7.6**	**n/a**
Closing Dexus Security price	($)	9.20	12.98	9.71	9.48	9.02
NTA per Security	($)	10.86	10.48	9.64	8.45	7.53

Total Security holder return (TSR)

	1 Year	3 Years*	5 Years*	10 Years*
Dexus	-25.7% p.a.	3.7% p.a.	9.8% p.a.	12.9% p.a.
S&P/ASX 200 Property Accumulation Index	-21.3% p.a.	2.0% p.a.	4.4% p.a.	9.2% p.a.

Source: UBS Australia at 30 June 2020.
*Annual compound returns.

Relative TSR since listing in 2004

4.9 Future LTI grants with respect to FY20 (2020 LTI grant)

The number of Performance Rights to be granted to Executive KMP is determined by dividing the LTI grant value by the VWAP of Dexus Securities 10 trading days either side of the first trading day of the new financial year, which was $9.6478. The minimum value of the LTI grant is nil if the performance measures are not met. The maximum value is based on the estimated fair value calculated at the time of the LTI grant and amortised in accordance with the accounting standard requirements.

The below details the number of Performance Rights to be granted to Executive KMP on 1 July 2020 under the LTI plan, noting the CEO grant is subject to Security holder vote at the 2020 AGM. Dexus Securities relating to LTI grants are purchased on-market in accordance with ASX Listing Rule 10.15B and are held by the Dexus Performance Rights Plan Trust until required.

The performance hurdles for the 2020 LTI grant will be set by the Board as referred in section 5.1 of this report.

Executive KMP	Grant value as a % of fixed remuneration	Performance measure	Number of Performance Rights granted	VWAP Value per Performance right $	Fair Value per Performance right $[1]	Maximum total value of grant $[2]	1st vesting date 50%	2nd vesting date 50%
Darren J Steinberg	150%	AFFO	124,381	$9.65	$7.88	979,500	1 July 2023	1 July 2024
		ROCE	124,381	$9.65	$7.88	979,500		
Ross G Du Vernet	75%	AFFO	29,151	$9.65	$7.88	229,564		
		ROCE	29,151	$9.65	$7.88	229,564		
Kevin L George	75%	AFFO	29,151	$9.65	$7.88	229,564		
		ROCE	29,151	$9.65	$7.88	229,564		
Alison C Harrop	75%	AFFO	29,151	$9.65	$7.88	229,564		
		ROCE	29,151	$9.65	$7.88	229,564		
Deborah C Coakley	75%	AFFO	28,180	$9.65	$7.88	221,918		
		ROCE	28,180	$9.65	$7.88	221,918		

1. Fair value for the LTI reflects the valuation of Tranche 1 ($8.07) and Tranche 2 ($7.68). Valuations were provided by EY under the Black-Scholes Analytic model.
2. The maximum total value of the grant reflects the numbers of Performance Rights granted multiplied by the fair value per Right.

5. Approach to FY21 remuneration

In FY20, the PRC reviewed the appropriateness of the CEO and GMC remuneration structure given the forecasted economic environment in FY21 and in years following. The review included assessing:

- Fixed remuneration levels
- STI and LTI opportunity levels
- STI and LTI structures, including mix of cash and equity, use of deferral
- KPI hurdle setting, including stretch goals

The PRC reviewed each remuneration element, particularly the incentive plans, with the goal to:

- **Align Executive performance:** Allow Executives to receive timely signals on performance and conduct that is in the long-term interests of the company. The PRC also wants remuneration outcomes to reflect Dexus's year-on-year performance.
- **Avoid unintended consequences:** Avoid a situation where Executives could receive windfall gains or, conversely, have an unachievable performance hurdle in place

The review concluded that despite the disruption to the business cycle heading into FY21, Dexus will be maintaining the Group's 'through-the-cycle' approach to remuneration, with minimal changes in FY21. These changes were approved by the Board and are outlined below.

5.1. Executive KMP remuneration

Fixed Remuneration	Following temporary reductions in FY20, fixed remuneration reverted to prior levels on 1 July 2020. There will be no changes to fixed remuneration for FY21, apart from the EGM, Funds Management who will receive a 7.4% ($50,000) increase to her fixed remuneration to account for the expanded remit of her role.
STI	The purpose of the STI is to reward for performance against annual objectives and KPIs. For FY21 only, the STI performance hurdles are reflective of forecast market conditions as of the start of the performance year and then will be reviewed by the Board mid-year. The intent of this approach is to: – Avoid a situation where Executive KMP receive windfall gains as a result of performance hurdles which were appropriate at the start of FY21, but the market recovers sooner than expected – Avoid a situation where an unachievable target (within the context of further macro-economic challenges and government intervention) is in place – Support the creation of long-term value for Security holders The approach will provide Executive KMP with the right signals on performance and conduct expectations and will help protect the long-term interests of Dexus's employees, Security holders and stakeholders. Group scorecard weightings will not change in FY21 (75% financial and 25% non-financial). Specific performance measures and their hurdles will be disclosed in the FY21 Remuneration Report.
LTI	The purpose of the LTI is to align Executive KMP performance expectations with the long-term business strategy to drive sustained earnings and Security holder returns. As of the release of this report, the Board has not confirmed the LTI ranges for the 2020 grant. Given the unique and unprecedented circumstances created by the COVID-19 crisis, the Board is reviewing the LTI performance hurdle ranges with the principle of aiming for the creation of long-term investor value. 'AFFO per security growth' and 'Average ROCE' will continue to be the hurdles for the 2020 LTI grant, consistent with prior years. These hurdles provide alignment between the creation of shareholder value and rewarding financial performance by Dexus's Executive KMP. It is expected that the Board will endorse a strategy to broaden the LTI performance ranges to account for significantly impacted economic conditions. However, this approach will include the reduction of vesting outcomes in circumstances where targets have been lowered outside the 'through the cycle' ranges of 3%–5% for AFFO growth and 7%–10% for average ROCE.

5.2. NED fees

NED fees have not increased and the NED remuneration pool will remain unchanged in FY21. Following a temporary 15% remuneration reduction in NED base fees for the period 1 April 2020 to 30 June 2020, NED base fees reverted to prior levels on 1 July 2020.

6. Terms of Executive KMP service agreements

Executive KMP service agreements detail the individual terms and conditions of employment applying to Executive KMP. The quantum and structure of remuneration arrangements are detailed elsewhere in this report, with the termination scenarios and other key employment terms detailed below.

	CEO	Other Executive KMP
Employment agreement	An ongoing Executive Service Agreement.	An ongoing Executive Service Agreement or individual contract.
Resignation by the Executive	Resignation by Mr Steinberg requires a six-month notice period. The Group may choose to place Mr Steinberg on leave or make a payment in lieu of notice at the Board's discretion. All unvested STI and LTI awards are forfeited.	Resignation by other Executive KMP requires a three-month notice period. The Group may choose to place the Executive on leave or make a payment in lieu of notice at the Board's discretion. All unvested STI and LTI awards are forfeited.
	In the case of resignation, through mutual agreement (e.g. retirement), the Board has the ability to treat the Executive KMP as a 'Good Leaver', which may result in the Executive KMP retaining same or all of the unvested deferred STI or LTI Rights.	
Termination by the Group without cause	If the Group terminates an Executive KMP without cause, they are entitled to a combined maximum notice and severance payment of 12 months' fixed remuneration. The Board may (in its absolute discretion) also approve a pro-rata STI payment. Depending on the circumstances, the Board has the ability to treat the Executive as a 'Good Leaver', which may result in the Executive retaining some or all of the unvested deferred STI or LTI Rights.	
Termination by the Group with cause	No notice or severance is payable.	
Other contractual provisions and restrictions	All Executive KMP service agreements include standard clauses covering intellectual property, confidentiality, moral rights and disclosure obligations.	

7. Non-Executive Directors' (NED) remuneration

NED fees are reviewed annually by the Committee using information from a variety of sources, including:

- Publicly available remuneration data from ASX listed companies with similar market capitalisation and complexity
- Publicly available remuneration data from ASX 100 A-REITs
- Information supplied by external remuneration advisors, including EY

Other than the Chair, who receives a single base fee, NEDs receive a base fee plus additional fees for membership of Board Committees. NEDs do not participate in incentive plans or receive any retirement benefits other than statutory superannuation contributions.

7.1 Fee structure

The Board fee structure (inclusive of statutory superannuation contributions) for FY19 and FY20 is provided below.

Committee	Year	Chair ($)	Member ($)
NED base fees (DXFM)[1]	FY20 – policy	450,000	175,000
	FY20[2] – actual	433,913	167,007
	FY19	400,000	170,000
Board Risk Committee	FY20	35,000	17,500
	FY19	30,000	15,000
Board Audit Committee	FY20	35,000	17,500
	FY19	30,000	15,000
Board Nomination Committee[3]	FY20	N/A	N/A
	FY19	15,000	7,500
Board People & Remuneration Committee	FY20	35,000	17,500
	FY19	30,000	15,000
Board Environmental, Social & Governance	FY20	35,000	17,500
	FY19	N/A	N/A
DWPL Board	FY20	N/A	35,000
	FY19	N/A	30,000

1. The Board Chair receives a single fee for service, including service on Board Committees.
2. These base fees include a temporary 15% reduction in fees from 1 April 2020 to 30 June 2020 (representing a 3.75% reduction in total annual base fees excluding superannuation).
3. No fees applied to the Board Nomination Committee in FY20.

Total fees paid to NEDs for the year ended 30 June 2020 remained within the aggregate fee pool of $2,500,000 per annum, which was approved by Security holders at the AGM in October 2017.

7.2 Security holding requirement

From FY20 onwards, NEDs are expected to hold the equivalent of 100% of their base fees in DXS Securities, to be acquired over five years from appointment date. To further facilitate NEDs' ability to acquire Dexus equity, a fee sacrifice program was introduced in FY20.

The plan allows NEDs to sacrifice a percentage of their pre-tax base fees in return for a grant of Rights to the equivalent value. The minimum percentage a NED can sacrifice is 20% of base fees up to a maximum of 100%. The number of Rights allocated is calculated based on the VWAP of Securities over the first five trading days of the Trading Window immediately following the release of full-year results. Rights vest in two equal tranches over the subsequent six-month and 12-month period.

Securities held by NEDs are subject to the Group's Security and insider trading policies. No additional remuneration is provided to NEDs to purchase these Securities.

7.3 Security movements

NED KMP	Number of Securities held at 1 July 2019	Movement	Number of Securities held at 30 June 2020	Meets minimum requirement
W Richard Sheppard	71,329	16,690	88,019	Yes
Patrick Allaway	–	20,000	20,000	Yes
Penny Bingham-Hall	17,773	15,000	32,773	Yes
John C Conde AO	17,906	Nil	17,906	Yes
Tonianne Dwyer[1]	16,667	Nil	16,667	No
Mark H Ford[2]	1,667	8,333	10,000	N/A
Nicola Roxon[3]	–	6,369	6,369	N/A
Peter St George	18,573	Nil	18,573	Yes

1. Tonianne Dwyer had met the Security holding requirement during FY20, however, with the decrease in the DXS Security price, is currently under the requirement.
2. Mark H Ford was appointed in FY17 and has additional time to reach the requirement.
3. Nicola Roxon was appointed in FY18 and has additional time to reach the requirement.

7.4 Actual remuneration

This summary of the actual cash and benefits received by each NED for the year ended 30 June 2020 is prepared in accordance with AASB 124 Related Party Disclosures.

NED KMP	Year	Short term benefits[1] ($)	Post-employment benefits (superannuation) ($)	Other long-term benefits	Total ($)
W Richard Sheppard	FY20	412,910	21,003	–	433,913
	FY19	379,468	20,532	–	400,000
Patrick Allaway[2]	FY20	60,597	6,326	–	66,923
	FY19	–	–	–	–
Penny Bingham-Hall[3]	FY20	214,115	9,977	–	224,092
	FY19	204,531	19,304	–	223,835
John C Conde AO	FY20	202,911	19,846	–	222,757
	FY19	203,196	19,304	–	222,500
Tonianne Dwyer	FY20	237,219	21,003	–	258,222
	FY19	226,182	20,532	–	246,714
Mark H Ford	FY20	200,744	19,484	–	220,228
	FY19	184,287	17,352	–	201,639
Nicola Roxon[4]	FY20	206,297	13,158	–	219,455
	FY19	183,513	17,352	–	200,865
Peter St George	FY20	201,769	19,737	–	221,506
	FY19	196,347	18,653	–	215,000
Total	**FY20**	**1,736,562**	**130,534**	**–**	**1,867,096**
	FY19	**1,577,524**	**133,029**	**–**	**1,710,553**

1. Includes Director fees and insurance contributions.
2. Patrick Allaway joined the Board on 1 February 2020.
3. Penny Bingham-Hall received a superannuation guarantee exemption in FY20.
4. Nicola Roxon's FY20 short term benefits include a salary sacrifice amount under the NED fee sacrifice program.

8. Additional disclosures

8.1 Deferred STI and LTI awards which vested during FY20

The summary below outlines the number of Rights which vested under the Deferred STI and LTI plans during FY20. The vesting date for all Rights was 1 July 2019. No Rights lapsed during FY20.

Executive KMP	Plan name	Grant date	Tranche	Number of Rights which vested	Market value at vesting[1] ($)
Darren Steinberg	Deferred STI	1/07/2017	2	24,273	324,878
		1/07/2018	1	24,193	323,807
	LTI	1/07/2015	2	101,690	1,361,051
		1/07/2016	1	98,466	1,317,900
Ross Du Vernet	Deferred STI	1/07/2017	2	10,136	135,663
		1/07/2018	1	10,124	135,503
	LTI	1/07/2015	2	18,643	249,524
		1/07/2016	1	19,693	263,577
Kevin L George	Deferred STI	1/07/2017	2	10,136	135,663
		1/07/2018	1	9,664	129,346
	LTI	1/07/2015	2	21,693	290,346
		1/07/2016	1	21,006	281,151
Alison C Harrop	Deferred STI	1/07/2017	2	9,052	121,155
		1/07/2018	1	9,319	124,728
	LTI	1/07/2015	2	11,186	149,717
		1/07/2016	1	18,052	241,614
Deborah C Coakley	Deferred STI	1/07/2017	2	7,930	106,138
		1/07/2018	1	7,938	106,245
	LTI	1/07/2015	2	9,661	129,306
		1/07/2016	1	17,232	230,639

1. Market value at vesting is the VWAP of DXS Securities for the five-day period before the vesting date.

8.2 Executive KMP unvested Rights outstanding

The table below shows the number of unvested Rights held by Executive KMP as at 30 June 2020 under the Deferred STI and LTI plans. The STI and LTI awards in respect of which the elements below are deferred elements were disclosed in prior year Remuneration Reports.

Executive KMP	Plan name	Grant date	Vesting date	Tranche	Number of unvested Rights outstanding
Darren Steinberg	Deferred STI	1/07/2018	1/07/2020	2	23,285
		1/07/2019	1/07/2020	1	18,552
		1/07/2019	1/07/2021	2	18,551
	LTI	1/07/2016	1/07/2020	2	98,466
		1/07/2017	1/07/2020	1	98,426
		1/07/2017	1/07/2021	2	98,426
		1/07/2018	1/07/2021	1	121,487
		1/07/2018	1/07/2022	2	121,487
		1/07/2019	1/07/2022	1	89,047
		1/07/2019	1/07/2023	2	89,047
Ross Du Vernet	Deferred STI	1/07/2018	1/07/2020	2	9,744
		1/07/2019	1/07/2020	1	8,696
		1/07/2019	1/07/2021	2	8,696
	LTI	1/07/2016	1/07/2020	2	19,693
		1/07/2017	1/07/2020	1	21,531
		1/07/2017	1/07/2021	2	21,530
		1/07/2018	1/07/2021	1	28,474
		1/07/2018	1/07/2022	2	28,473
		1/07/2019	1/07/2022	1	20,870
		1/07/2019	1/07/2023	2	20,870
Kevin L George	Deferred STI	1/07/2018	1/07/2020	2	9,301
		1/07/2019	1/07/2020	1	7,653
		1/07/2019	1/07/2021	2	7,652
	LTI	1/07/2016	1/07/2020	2	21,006
		1/07/2017	1/07/2020	1	21,531
		1/07/2017	1/07/2021	2	21,530
		1/07/2018	1/07/2021	1	28,474
		1/07/2018	1/07/2022	2	28,473
		1/07/2019	1/07/2022	1	20,870
		1/07/2019	1/07/2023	2	20,870
Alison C Harrop	Deferred STI	1/07/2018	1/07/2020	2	8,969
		1/07/2019	1/07/2020	1	7,397
		1/07/2019	1/07/2021	2	7,397
	LTI	1/07/2016	1/07/2020	2	18,052
		1/07/2017	1/07/2020	1	19,224
		1/07/2017	1/07/2021	2	19,224
		1/07/2018	1/07/2021	1	27,524
		1/07/2018	1/07/2022	2	27,524
		1/07/2019	1/07/2022	1	20,870
		1/07/2019	1/07/2023	2	20,870

Executive KMP	Plan name	Grant date	Vesting date	Tranche	Number of unvested Rights outstanding
Deborah C Coakley	Deferred STI	1/07/2018	1/07/2020	2	7,640
		1/07/2019	1/07/2020	1	6,957
		1/07/2019	1/07/2021	2	6,956
	LTI	1/07/2016	1/07/2020	2	17,231
		1/07/2017	1/07/2020	1	17,686
		1/07/2017	1/07/2021	2	17,686
		1/07/2018	1/07/2021	1	22,779
		1/07/2018	1/07/2022	2	22,778
		1/07/2019	1/07/2022	1	18,783
		1/07/2019	1/07/2023	2	18,783

8.3 Equity Investments

	Held at 1 July 2019			Net change			Held at 30 June 2020				
	Securities	Deferred STI	Total Balance[1]	Securities	Deferred STI	Total Balance[1]	Securities	Deferred STI	Total Balance[1]	Market value as at 30 June 2020[2] $	Minimum Security holding[3] $
Darren J Steinberg	500,000	69,126	569,126	248,622	-8,738	239,884	748,622	60,388	809,010	7,812,967	2,400,000
Ross G Du Vernet	102,505	28,908	131,413	-18,904	-1,772	-20,676	83,601	27,136	110,737	1,069,436	562,500
Kevin L George	63,113	28,022	91,135	62,499	-3,416	59,083	125,612	24,606	150,218	1,450,722	562,500
Alison C Harrop	5,836	26,348	32,184	47,609	-2,585	45,024	53,445	23,763	77,208	745,632	543,750
Deborah C Coakley	23,627	22,649	46,276	27,761	-1,096	26,665	51,388	21,553	72,941	704,423	450,000

1. The following Securities are included in the balance for the purpose of the guideline (1) Any DXS Securities that the Executive or their related person or entity hold (e.g. Family Trust), (2) Securities that the Executive acquires on vesting of awards granted under Dexus's equity incentive plans; and (3) Unvested equity granted that the Executive holds under Dexus's equity incentive plans which are not subject to performance hurdles (e.g., deferred short-term incentives).
2. Market value as at 30 June 2020 is the VWAP of DXS Securities for the five-day period up to and including 30 June 2020 ($9.6574).
3. A minimum Security holding guideline was introduced on 1 July 2018, with all Executive KMP expected to attain the minimum Security holding by 1 July 2023. The Security holding value is calculated by reference to the 12-month average fixed remuneration for the relevant financial year. For existing Executive KMP as at 1 July 2018, the guide is based on fixed remuneration as at 1 July 2018.

8.4 Other Transactions

There were no transactions involving an equity instrument (other than share based payment compensation) to KMP or related parties.

8.5 Loans

No loans were provided to KMP or related parties.

Directors' Report

The Directors of Dexus Funds Management Limited (DXFM) as Responsible Entity of Dexus Diversified Trust (DDF or the Trust) present their Directors' Report together with the Consolidated Financial Statements for the year ended 30 June 2020. The Consolidated Financial Statements represents DDF and its consolidated entities, Dexus (DXS or the Group).

The Trust together with Dexus Industrial Trust (DIT), Dexus Office Trust (DOT) and Dexus Operations Trust (DXO) form the Dexus stapled security.

Directors and Secretaries

Directors

The following persons were Directors of DXFM at all times during the year and to the date of this Directors' Report, unless otherwise stated:

Directors	Appointed
W Richard Sheppard, BEc (Hons), FAICD	1 January 2012
Patrick N J Allaway, BA/LLB	1 February 2020
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin)	10 June 2014
John C Conde, AO, BSc, BE (Hons), MBA, FAICD	29 April 2009
Tonianne Dwyer, BJuris (Hons), LLB (Hons)	24 August 2011
Mark H Ford, Dip. Tech (Commerce), CA, FAICD	1 November 2016
The Hon. Nicola L Roxon, BA/LLB (Hons), GAICD	1 September 2017
Darren J Steinberg, BEc, FRICS, FAPI, FAICD	1 March 2012
Peter B St George, CA (SA), MBA	29 April 2009

Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2020 are as follows:

Brett D Cameron LLB/BA (Science and Technology), GAICD, FGIA

Appointed: 31 October 2014

Brett is the General Counsel and a Company Secretary of Dexus companies and is responsible for the legal function, company secretarial services and compliance, risk and governance systems and practices across the Group.

Prior to joining Dexus, Brett was Head of Legal for Macquarie Real Estate (Asia) and has held senior legal positions at Macquarie Capital Funds in Hong Kong and Minter Ellison in Sydney and Hong Kong. Brett has 23 years' experience as in-house counsel and in private practice in Australia and in Asia, where he worked on real estate structuring and operations, funds management, mergers and acquisitions, private equity and corporate finance across a number of industries.

Brett graduated from The University of New South Wales and holds a Bachelor of Laws and a Bachelor of Arts (Science and Technology) and is a member of the Law Societies of New South Wales and Hong Kong. Brett is also a graduate of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

Scott Mahony BBus(Acc), Grad Dip (Business Administration), MBA (eCommerce), Grad Dip (Applied Corporate Governance) FGIA, FCIS

Appointed: 5 February 2019

Scott is the Head of Governance of Dexus and is responsible for the development, implementation and oversight of Dexus's governance policies and practices. Prior to being appointed the Head of Governance in 2018, Scott had oversight of Dexus's risk and compliance programs.

Scott joined Dexus in October 2005 after two years with Commonwealth Bank of Australia as a Senior Compliance Manager. Prior to this, Scott worked for over 11 years for Assure Services & Technology (part of AXA Asia Pacific) where he held various management roles.

Attendance of Directors at Board Meetings and Board Committee Meetings

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below. The Directors met 12 times during the year. Nine board meetings were main meetings and three meetings were held to consider specific business.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
W Richard Sheppard	9	9	3	3
Patrick N J Allaway[1]	5	5	2	2
Penny Bingham-Hall	9	9	3	3
John C Conde, AO	9	9	3	3
Tonianne Dwyer	9	9	3	3
Mark H Ford	9	9	3	2
The Hon. Nicola L Roxon	9	9	3	3
Darren J Steinberg	9	9	3	3
Peter B St George	9	9	3	3

1. Patrick Allaway commenced his directorship on 1 February 2020.

Special meetings are held at a time to enable the maximum number of Directors to attend and are generally held to consider specific items that cannot be held over to the next scheduled main meeting.

The table below shows Non-Executive Directors' attendances at Board Committee meetings of which they were a member during the year ended 30 June 2020.

	Board Audit Committee		Board Risk Committee		Board Nomination Committee[3]		Board People and Remuneration Committee		Board Environmental, Social and Governance Committee[4]		Joint "Organisational Risk" Session	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
W Richard Sheppard	–	–	–	–	3	3	7	7	–	–	2	2
Patrick N J Allaway[1]	–	–	–	–	1	1	–	–	–	–	1	1
Penny Bingham-Hall[2]	–	–	1	1	3	3	7	7	3	3	2	2
John C Conde, AO	4	4	–	–	3	3	–	–	–	–	2	2
Tonianne Dwyer	4	4	4	4	3	3	–	–	–	–	2	2
Mark H Ford	4	4	4	4	3	3	–	–	3	3	2	2
The Hon. Nicola L Roxon[2]	–	–	1	1	3	3	7	7	3	3	2	2
Peter B St George	4	4	4	4	3	3	–	–	–	–	2	2

1. Patrick Allaway commenced his directorship on 1 February 2020 and effective immediately became a member of the Board Nomination Committee.
2. Penny Bingham-Hall and Nicola L Roxon ceased membership in the Board Risk Committee effective 1 September 2019.
3. All Non-Executive Directors (NEDs) became members of the Board Nomination Committee effective 1 September 2019.
4. Board Environmental, Social & Governance (ESG) Committee was established, effective 1 September 2019.

John Conde and Tonianne Dwyer were also Directors of Dexus Wholesale Property Limited (DWPL) and attended DWPL Board meetings during the year ended 30 June 2020.

Directors' relevant interests

The relevant interests of each Director in DXS stapled securities as at the date of this Directors' Report are shown below:

Directors	No. of securities
W Richard Sheppard	88,019
Patrick N J Allaway	20,000
Penny Bingham-Hall	32,773
John C Conde, AO	17,906
Tonianne Dwyer	16,667
Mark H Ford	10,000
The Hon. Nicola L Roxon[1]	9,737
Darren J Steinberg[2]	1,525,395
Peter B St George	18,573

1. Includes interests held directly and through Non-Executive Director (NED) Plan rights.
2. Includes interests held directly and through performance rights (refer note 22).

Operating and financial review

Information on the operations and financial position of the Group and its business strategies and prospects is set out on pages 26 to 35 of the Annual Report and forms part of this Directors' Report.

Remuneration Report

The Remuneration Report is set out on pages 62 to 86 of the Annual Report and forms part of this Directors' Report.

Directors' directorships in other listed entities

The following table sets out directorships of other ASX listed entities (unless otherwise stated), not including DXFM, held by the Directors at any time in the three years immediately prior to the end of the year, and the period for which each directorship was held.

Director	Company	Date Appointed
W Richard Sheppard	Star Entertainment Group	21 November 2012
Patrick N J Allaway	Bank of Queensland	1 May 2019
	Nine Entertainment Co. Holdings Limited	7 December 2018
Penny Bingham-Hall	BlueScope Steel Limited	29 March 2011
	Fortescue Metals Group Ltd	16 November 2016
John C Conde, AO	Whitehaven Coal Limited	3 May 2007
	Cooper Energy Limited	25 February 2013
Tonianne Dwyer	Metcash Limited	24 June 2014
	ALS Limited	1 July 2016
	Oz Minerals Limited	21 March 2017
The Hon. Nicola L Roxon	Lifestyle Communities Limited	1 September 2017
Peter B St George	First Quantum Minerals Limited[1]	20 October 2003
Mark H Ford	Kiwi Property Group Limited[2]	16 May 2011
Darren J Steinberg	VGI Partners Limited	12 May 2019

1. Listed for trading on the Toronto Stock Exchange in Canada.
2. Listed for trading on the New Zealand Stock Exchange.

Principal activities

During the year the principal activity of the Group was to own, manage and develop high quality real estate assets and manage real estate funds on behalf of third party investors. There were no significant changes in the nature of the Group's activities during the year.

Total value of Trust assets

The total value of the assets of the Group as at 30 June 2020 was $17,622.1 million (2019: $16,521.3 million). Details of the basis of this valuation are outlined in the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

Likely developments and expected results of operations

In the opinion of the Directors, disclosure of any further information regarding business strategies and future developments or results of the Group, other than the information already outlined in this Directors' Report or the Consolidated Financial Statements accompanying this Directors' Report would be unreasonably prejudicial to the Group.

Significant changes in the state of affairs

The Directors are not aware of any matter or circumstance not otherwise dealt with in this Directors' Report or the Consolidated Financial Statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or the state of the Group's affairs in future financial years.

Matters subsequent to the end of the financial year

Since the end of the financial year the Directors are not aware of any matter or circumstance not otherwise dealt with in this Directors' Report or the Consolidated Financial Statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or the state of the Group's affairs in future financial years.

Distributions

Distributions paid or payable by the Group for the year ended 30 June 2020 were 50.3 cents per security (2019: 50.2 cents per security) as outlined in note 7 of the Notes to the Consolidated Financial Statements.

DXFM fees

Details of fees paid or payable by the Group to DXFM are eliminated on consolidation for the year ended 30 June 2020. Details are outlined in note 23 of the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

Interests in DXS securities

The movement in securities on issue in the Group during the year and the number of securities on issue as at 30 June 2020 are detailed in note 16 of the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

Details of the number of interests in the Group held by DXFM or its associates as at the end of the financial year are outlined in note 23 of the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

The DXFM Board has approved a grant of performance rights of DXS stapled securities to eligible participants. Details of the performance rights awarded during the financial year are detailed in note 22 of the Notes the Consolidated Financial Statements. The Group did not have any options on issue as at 30 June 2020 (2019: nil).

Environmental regulation

The Board Risk Committee oversees the policies, procedures and systems that have been implemented to ensure the adequacy of its environmental risk management practices. It is the opinion of this Committee that adequate systems are in place for the management of its environmental responsibilities and compliance with its various license requirements and regulations. Further, the Committee is not aware of any material breaches of these requirements.

Indemnification and insurance

The insurance premium for a policy of insurance indemnifying Directors, officers and others (as defined in the relevant policy of insurance) is paid by Dexus Holdings Pty Limited (DXH).

PricewaterhouseCoopers (PwC or the Auditor), is indemnified out of the assets of the Group pursuant to the Dexus Specific Terms of Business agreed for all engagements with PwC, to the extent that the Group inappropriately uses or discloses a report prepared by PwC. The Auditor, PwC, is not indemnified for the provision of services where such an indemnification is prohibited by the *Corporations Act 2001*.

Audit

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Non-audit services

The Group may decide to employ the Auditor on assignments, in addition to its statutory audit duties, where the Auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the Auditor for audit and non-audit services provided during the year are set out in note 20 of the Notes to the Consolidated Financial Statements.

The Board Audit Committee is satisfied that the provision of non-audit services provided during the year by the Auditor (or by another person or firm on the Auditor's behalf) is compatible with the standard of independence for auditors imposed by the *Corporations Act 2001*.

The reasons for the Directors being satisfied are:

- all non-audit services have been reviewed by the Board Audit Committee to ensure that they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

The above Directors' statements are in accordance with the advice received from the Board Audit Committee.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 91 and forms part of this Directors' Report.

Corporate governance

DXFM's Corporate Governance Statement is available at: www.dexus.com/corporategovernance

Rounding of amounts and currency

As the Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the Directors have chosen to round amounts in this Directors' Report and the accompanying Financial Report to the nearest tenth of a million dollars, unless otherwise indicated. The Group is an entity to which the Instrument applies. All figures in this Directors' Report and the Consolidated Financial Statements, except where otherwise stated, are expressed in Australian dollars.

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Consolidated Financial Statements were authorised for issue by the Directors on 18 August 2020.

W Richard Sheppard
Chair
18 August 2020

Darren J Steinberg
Chief Executive Officer
18 August 2020

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Dexus Diversified Trust for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Dexus Diversified Trust and the entities it controlled during the period.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
18 August 2020

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Financial Report

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Consolidated Statement of Comprehensive Income
For the year ended 30 June 2020

	Note	2020 $m	2019 $m
Revenue from ordinary activities			
Property revenue	2	**533.5**	547.4
Development revenue	10	**275.8**	96.9
Interest revenue		**0.5**	1.0
Management fees and other revenue		**182.1**	149.8
Total revenue from ordinary activities		**991.9**	795.1
Net fair value gain of investment properties		**386.5**	455.4
Share of net profit of investments accounted for using the equity method	9	**494.7**	535.6
Net gain on sale of investment properties		**–**	0.4
Net fair value gain of derivatives	12(c)	**26.7**	146.1
Net foreign exchange gain		**0.1**	–
Other income		**2.0**	0.1
Total income		**1,901.9**	1,932.7
Expenses			
Property expenses	2	**(163.3)**	(157.6)
Development costs	10	**(225.3)**	(47.4)
Finance costs	4	**(163.4)**	(151.9)
Impairment of investments accounted for using the equity method	9	**(12.2)**	–
Impairment of intangibles	19	**(5.6)**	–
Loss on other assets at fair value		**(2.7)**	–
Net loss on sale of investment properties		**(0.4)**	–
Net fair value loss of foreign currency interest bearing liabilities		**(168.3)**	(127.8)
Transaction costs		**(1.1)**	(3.1)
Management operations, corporate and administration expenses	3	**(135.7)**	(121.1)
Total expenses		**(878.0)**	(608.9)
Profit/(loss) before tax		**1,023.9**	1,323.8
Income tax expense	5(a)	**(40.9)**	(42.8)
Profit/(loss) for the year		**983.0**	1,281.0
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	17	**6.2**	0.4
Changes in the foreign currency basis spread reserve	17	**(4.2)**	(4.6)
Total comprehensive income/(loss) for the year		**985.0**	1,276.8
Profit/(loss) for the year attributable to:			
Unitholders of the parent entity		**284.6**	315.7
Unitholders of other stapled entities (non-controlling interests)		**698.4**	965.3
Profit/(loss) for the year		**983.0**	1,281.0
Total comprehensive income/(loss) for the year attributable to:			
Unitholders of the parent entity		**286.6**	311.5
Unitholders of other stapled entities (non-controlling interests)		**698.4**	965.3
Total comprehensive income/(loss) for the year		**985.0**	1,276.8

		Cents	Cents
Earnings per unit on profit/(loss) attributable to unitholders of the Trust (parent entity)			
Basic earnings per unit	6	**25.99**	30.69
Diluted earnings per unit	6	**25.33**	30.45
Earnings per stapled security on profit/(loss) attributable to stapled security holders			
Basic earnings per security	6	**89.76**	124.54
Diluted earnings per security	6	**88.63**	122.36

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 June 2020

	Note	2020 $m	2019 $m
Current assets			
Cash and cash equivalents	18(a)	**31.8**	29.8
Receivables	18(b)	**132.2**	144.0
Non-current assets classified as held for sale	11	**530.0**	–
Inventories	10	**179.5**	170.4
Derivative financial instruments	12(c)	**91.9**	15.5
Current tax receivable		**2.6**	–
Other	18(c)	**28.3**	20.6
Total current assets		**996.3**	380.3
Non-current assets			
Investment properties	8	**8,215.9**	8,170.0
Plant and equipment		**13.4**	15.0
Right-of-use assets	25	**13.4**	–
Inventories	10	**156.3**	287.3
Investments accounted for using the equity method	9	**7,287.4**	6,823.7
Derivative financial instruments	12(c)	**604.3**	517.1
Intangible assets	19	**332.8**	322.1
Other financial assets at fair value through profit or loss		**0.4**	3.9
Other		**1.9**	1.9
Total non-current assets		**16,625.8**	16,141.0
Total assets		**17,622.1**	16,521.3
Current liabilities			
Payables	18(d)	**179.8**	188.8
Interest bearing liabilities	14	**364.3**	70.0
Lease liabilities	13	**4.8**	–
Derivative financial instruments	12(c)	**13.4**	17.9
Current tax liabilities		**–**	21.5
Provisions	18(e)	**279.8**	284.2
Other		**3.0**	–
Total current liabilities		**845.1**	582.4
Non-current liabilities			
Interest bearing liabilities	14	**4,473.7**	3,996.6
Lease liabilities	13	**19.5**	–
Derivative financial instruments	12(c)	**54.8**	105.6
Deferred tax liabilities	5(d)	**105.0**	89.4
Provisions	18(e)	**2.5**	1.9
Other		**11.2**	2.1
Total non-current liabilities		**4,666.7**	4,195.6
Total liabilities		**5,511.8**	4,778.0
Net assets		**12,110.3**	11,743.3
Equity			
Equity attributable to unitholders of the Trust (parent entity)			
Contributed equity	16	**2,381.4**	2,399.0
Reserves	17	**15.2**	13.2
Retained profits		**1,051.9**	923.4
Parent entity unitholders' interest		**3,448.5**	3,335.6
Equity attributable to unitholders of other stapled entities			
Contributed equity	16	**4,909.5**	4,954.5
Reserves	17	**35.4**	40.5
Retained profits		**3,716.9**	3,412.7
Other stapled unitholders' interest		**8,661.8**	8,407.7
Total equity		**12,110.3**	11,743.3

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

		Attributable to unitholders of the Trust (parent entity)				Attributable to unitholders of other stapled entities				
	Note	Contri-buted equity $m	Reserves $m	Retained profits $m	Total $m	Contri-buted equity $m	Reserves $m	Retained profits $m	Total $m	Total equity $m
Opening balance as at 1 July 2018		2,127.3	(12.5)	788.5	2,903.3	4,277.0	39.7	2,827.4	7,144.1	10,047.4
Change in accounting policy		–	29.9	(31.4)	(1.5)	–	–	(0.4)	(0.4)	(1.9)
Restated opening balance as at 1 July 2018		2,127.3	17.4	757.1	2,901.8	4,277.0	39.7	2,827.0	7,143.7	10,045.5
Net profit/(loss) for the year		–	–	315.7	315.7	–	–	965.3	965.3	1,281.0
Other comprehensive income/(loss) for the year		–	(4.2)	–	(4.2)	–	–	–	–	(4.2)
Total comprehensive income for the year		–	(4.2)	315.7	311.5	–	–	965.3	965.3	1,276.8
Transactions with owners in their capacity as owners										
Issue of additional equity, net of transaction costs	16	271.7	–	–	271.7	677.5	–	–	677.5	949.2
Purchase of securities, net of transaction costs		–	–	–	–	–	(7.6)	–	(7.6)	(7.6)
Security-based payments expense		–	–	–	–	–	8.4	–	8.4	8.4
Distributions paid or provided for	7	–	–	(149.4)	(149.4)	–	–	(379.6)	(379.6)	(529.0)
Total transactions with owners in their capacity as owners		271.7	–	(149.4)	122.3	677.5	0.8	(379.6)	298.7	421.0
Closing balance as per 30 June 2019		2,399.0	13.2	923.4	3,335.6	4,954.5	40.5	3,412.7	8,407.7	11,743.3
Opening balance as at 1 July 2019		**2,399.0**	**13.2**	**923.4**	**3,335.6**	**4,954.5**	**40.5**	**3,412.7**	**8,407.7**	**11,743.3**
Net profit/(loss) for the year		**–**	**–**	**284.6**	**284.6**	**–**	**–**	**698.4**	**698.4**	**983.0**
Other comprehensive income/(loss) for the year		**–**	**2.0**	**–**	**2.0**	**–**	**–**	**–**	**–**	**2.0**
Total comprehensive income for the year		**–**	**2.0**	**284.6**	**286.6**	**–**	**–**	**698.4**	**698.4**	**985.0**
Transactions with owners in their capacity as owners										
Buy-back of contributed equity, net of transaction costs	16	**(17.6)**	**–**	**–**	**(17.6)**	**(45.0)**	**–**	**–**	**(45.0)**	**(62.6)**
Purchase of securities, net of transaction costs		**–**	**–**	**–**	**–**	**–**	**(10.9)**	**–**	**(10.9)**	**(10.9)**
Security-based payments expense		**–**	**–**	**–**	**–**	**–**	**5.8**	**–**	**5.8**	**5.8**
Distributions paid or provided for	7	**–**	**–**	**(156.1)**	**(156.1)**	**–**	**–**	**(394.2)**	**(394.2)**	**(550.3)**
Total transactions with owners in their capacity as owners		**(17.6)**	**–**	**(156.1)**	**(173.7)**	**(45.0)**	**(5.1)**	**(394.2)**	**(444.3)**	**(618.0)**
Closing balance as at 30 June 2020		**2,381.4**	**15.2**	**1,051.9**	**3,448.5**	**4,909.5**	**35.4**	**3,716.9**	**8,661.8**	**12,110.3**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the year ended 30 June 2020

	Note	2020 $m	2019 $m
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		**725.2**	713.5
Payments in the course of operations (inclusive of GST)		**(261.3)**	(290.2)
Interest received		**0.5**	1.0
Finance costs paid		**(145.9)**	(149.1)
Distributions received from investments accounted for using the equity method		**312.2**	214.8
Income and withholding taxes paid		**(49.1)**	(30.8)
Proceeds from sale of property classified as inventory and development services		**235.4**	88.3
Payments for property classified as inventory and development services		**(87.1)**	(54.4)
Net cash inflow/(outflow) from operating activities	21	**729.9**	493.1
Cash flows from investing activities			
Proceeds from sale of investment properties		**224.4**	625.8
Proceeds from sale of investments accounted for using the equity method		**215.5**	–
Payments for capital expenditure on investment properties		**(240.7)**	(261.2)
(Payments for)/proceeds from termination and restructure of derivatives		**(124.3)**	27.4
Payments for investments accounted for using the equity method		**(496.8)**	(1,447.4)
Payments for acquisition of investment properties		**(176.2)**	(359.1)
Payments for plant and equipment		**(2.5)**	(0.8)
Payments for intangibles		**(19.2)**	(6.0)
Net cash inflow/(outflow) from investing activities		**(619.8)**	(1,421.3)
Cash flows from financing activities			
Proceeds from borrowings		**5,244.8**	4,914.0
Repayment of borrowings		**(4,686.1)**	(4,407.3)
Payment for termination and restructure of derivatives		**(42.5)**	–
Payment of lease liabilities		**(2.5)**	–
Payments for buy-back of contributed equity, net of transaction costs		**(62.6)**	–
Proceeds from issue of additional equity, net of transaction costs		**–**	949.2
Purchase of securities for security-based payments plans		**(10.9)**	(9.2)
Distributions paid to security holders		**(548.3)**	(522.0)
Net cash inflow/(outflow) from financing activities		**(108.1)**	924.7
Net increase/(decrease) in cash and cash equivalents		**2.0**	(3.5)
Cash and cash equivalents at the beginning of the year		**29.8**	33.3
Cash and cash equivalents at the end of the year		**31.8**	29.8

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

In this section
This section sets out the basis upon which the Group's Consolidated Financial Statements are prepared.

Specific accounting policies are described in their respective notes to the Consolidated Financial Statements. This section also shows information on new or amended accounting standards and their impact on the financial position and performance of the Group.

Basis of preparation

The Consolidated Financial Statements are general purpose financial reports which have been prepared in accordance with the requirements of the Constitutions of the entities within the Group, the *Corporations Act 2001*, AASBs issued by the Australian Accounting Standards Board and International Financial Reporting Standards adopted by the International Accounting Standard Board.

Unless otherwise stated the Consolidated Financial Statements have been prepared using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period.

The Consolidated Financial Statements are presented in Australian dollars, with all values rounded to the nearest tenth of a million dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated.

The Consolidated Financial Statements have been prepared on a going concern basis using historical cost conventions, except for investment properties, investment properties within the equity accounted investments, derivative financial instruments, and other financial assets or liabilities which are stated at their fair value.

Dexus stapled securities are quoted on the Australian Securities Exchange under the "DXS" code and comprise one unit in each of DDF, DIT, DOT and DXO. In accordance with Australian Accounting Standards, the entities within the Group must be consolidated for financial reporting purposes. DDF is the parent entity and deemed acquirer of DIT, DOT and DXO. These Consolidated Financial Statements therefore represent the consolidated results of DDF and include DDF and its controlled entities, DIT and its controlled entities, DOT and its controlled entities, and DXO and its controlled entities. All entities within the Group are for profit entities.

Equity attributable to other trusts stapled to DDF is a form of non-controlling interest and represents the equity of DIT, DOT and DXO. The amount of non-controlling interest attributable to stapled security holders is disclosed in the Consolidated Statement of Financial Position. DDF is a for-profit entity for the purpose of preparing the Consolidated Financial Statements.

Each entity forming part of the Group continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards. Dexus Funds Management Limited (DXFM) as Responsible Entity for DDF, DIT, DOT and DXO may only unstaple the Group if approval is obtained by a special resolution of the stapled security holders.

Critical accounting estimates

The economic impacts resulting from the Government imposed restrictions in a response to the COVID-19 pandemic, have the potential to impact various financial statement line items including: Investment properties, Property revenue and expenses, and Receivables (included within Working capital).

Dexus was performing well leading into the crisis with high occupancy and significant leasing success in office, however uncertainty exists as a result of a range of different factors, including:

- The outlook for the Australian economy and overall economic activity which could lead to modifications of leases and impact rental income
- Temporary closures and insolvencies of businesses that could impact the recoverability of debts
- Sentiment for the property industry and underlying demand for investment in property

Industries have been impacted by varying degrees as a result of the pandemic. The impact on office tenants varies, with generally a lesser impact on tenants in industries such as professional services, healthcare, telecommunications and technology, compared with those in entertainment, leisure, travel, tourism, education and training.

In the current environment, office leasing enquiry levels have fallen, and inspection rates have slowed however occupancy has remained high. Lead indicators point to a period of uncertainty in the Australian office market, with demand across the major CBD markets likely to be patchy in the short term. In times of uncertainty, high quality and well leased assets can be expected to hold their value better than lower quality assets due to their appeal to both occupants and purchasers as well as their relative scarcity. At 30 June 2020, Prime grade[1] buildings comprise 94% of Dexus' office portfolio.

Industrial tenants are showing to be more resilient, especially in the case of essential services such as medical equipment, pharmaceutical supplies and online retailers who in some cases have experienced growth.

Retail tenants, with the exception of essential services, have been significantly impacted by decreased foot traffic, reduced operating hours or in some cases complete closure of stores. The Group has limited exposure to retail tenants.

1. Stabilised assets only. Excludes development-affected assets and land.

Notes to the Consolidated Financial Statements continued

Basis of preparation continued

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates in relation to COVID-19 related uncertainties. The judgements and estimates which are material to the financial report are discussed in the following notes.

Note 2	Property revenue and expenses	Page 105
Note 8	Investment properties	Page 110
Note 10	Inventories	Page 120
Note 12	Capital and financial risk management	Page 122
Note 18	Working capital	Page 135
Note 19	Intangible assets	Page 138
Note 22	Security-based payments	Page 141

Principles of consolidation

These Consolidated Financial Statements incorporate the assets, liabilities and results of all subsidiaries as at 30 June 2020.

(a) Controlled entities

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations

Where assets are held directly as tenants in common, the Group's proportionate share of revenues, expenses, assets and liabilities are included in their respective items of the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under this method, the Group's share of the joint ventures' post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income and distributions received from joint ventures are recognised as a reduction of the carrying amount of the investment.

(c) Employee share trust

The Group has formed a trust to administer the Group's security-based employee benefits. The employee share trust is consolidated as the substance of the relationship is that the trust is controlled by the Group.

Foreign currency

The Consolidated Financial Statements are presented in Australian dollars.

Foreign currency transactions are translated into the Australian dollars functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of financial assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

As at 30 June 2020, the Group had no investments in foreign operations.

Goods and services tax

Revenues, expenses and capital assets are recognised net of any amount of Australian Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities that is recoverable from or payable to the Australian Taxation Office is classified as cash flows from operating activities.

The notes include information which is required to understand the Consolidated Financial Statements and is material and relevant to the operations, financial position and performance of the Group.

The notes are organised into the following sections:

Group performance	Property portfolio assets	Capital and financial risk management and working capital	Other disclosures
1. Operating segments	8. Investment properties	12. Capital and financial risk management	19. Intangible assets
2. Property revenue and expenses	9. Investments accounted for using the equity method	13. Lease liabilities	20. Audit, taxation and transaction service fees
3. Management operations, corporate and administration expenses	10. Inventories	14. Interest bearing liabilities	21. Cash flow information
4. Finance costs	11. Non-current assets classified as held for sale	15. Commitments and contingencies	22. Security-based payments
5. Taxation		16. Contributed equity	23. Related parties
6. Earnings per unit		17. Reserves	24. Parent entity disclosures
7. Distributions paid and payable		18. Working capital	25. Changes in accounting policies
			26. Subsequent events

Group performance

In this section

This section explains the results and performance of the Group.

It provides additional information about those individual line items in the Consolidated Financial Statements that the Directors consider most relevant in the context of the operations of the Group, including: results by operating segment, property revenue and expenses, management operations, corporate and administration expenses, finance costs, taxation, earnings per unit and distributions paid and payable.

Note 1 Operating segments

Description of segments

The Group's operating segments have been identified based on the sectors analysed within the management reports reviewed in order to monitor performance across the Group and to appropriately allocate resources. Refer to the table below for a brief description of the Group's operating segments.

Segment	Description
Office	Domestic office space with any associated retail space; as well as car parks and office developments.
Industrial	Domestic industrial properties, industrial estates and industrial developments.
Property management	Property management services for third party clients and owned assets.
Funds management	Funds management of third party client assets.
Development and trading	Revenue earned and costs incurred by the Group on development services for third party clients and inventory.
All other segments	Corporate expenses associated with maintaining and operating the Group. This segment also includes the centralised treasury function and direct property portfolio value of the Group's Healthcare investments.

Group performance continued

Note 1 Operating segments continued

30 June 2020	Office $m	Industrial $m
Segment performance measures		
Property revenue	787.5	154.4
Property management fees	–	–
Development revenue	–	–
Management fee revenue	–	–
Total operating segment revenue	**787.5**	**154.4**
Property expenses & property management salaries	(242.1)	(41.0)
Management operations expenses	–	–
Corporate and administration expenses	(13.2)	(3.3)
Development costs	–	–
Interest revenue	–	–
Finance costs	–	–
Incentive amortisation and rent straight-line	113.4	14.1
FFO tax expense	–	–
Rental guarantees, coupon income and other	25.8	–
Funds From Operations (FFO)	**671.4**	**124.2**
Net fair value gain/(loss) of investment properties	490.6	111.4
Net fair value gain/(loss) of derivatives	–	–
Transaction costs and one-off significant items	–	–
Net gain/(loss) on sale of investment properties	0.1	–
Net fair value gain/(loss) of interest bearing liabilities	–	–
Incentive amortisation and rent straight-line	(113.4)	(14.1)
Amortisation of intangible assets and impairments	–	–
Non FFO tax expense	–	–
Rental guarantees, coupon income and other	(25.8)	–
Net profit/(loss) attributable to stapled security holders	**1,022.9**	**221.5**
Investment properties	6,978.6	1,228.1
Non-current assets held for sale	561.0	15.4
Inventories	–	–
Equity accounted investment properties	6,510.6	774.9
Direct property portfolio	**14,050.2**	**2,018.4**

Property management $m	Funds management $m	Development and trading $m	All other segments $m	Eliminations $m	Total $m
–	–	–	–	(5.0)	**936.9**
42.3	–	–	–	–	**42.3**
–	–	275.8	–	–	**275.8**
36.2	73.6	15.7	–	–	**125.5**
78.5	**73.6**	**291.5**	**–**	**(5.0)**	**1,380.5**
(26.6)	–	–	–	–	**(309.7)**
(30.8)	(26.6)	(12.3)	–	–	**(69.7)**
–	–	–	(33.0)	5.0	**(44.5)**
–	–	(225.3)	–	–	**(225.3)**
–	–	–	1.5	–	**1.5**
–	–	–	(128.9)	–	**(128.9)**
–	–	–	–	–	**127.5**
–	–	(15.2)	(22.4)	–	**(37.6)**
–	–	–	10.6	–	**36.4**
21.1	**47.0**	**38.7**	**(172.2)**	**–**	**730.2**
–	–	–	10.4	–	**612.4**
–	–	–	(2.5)	–	**(2.5)**
–	–	–	(9.2)	–	**(9.2)**
–	–	–	–	–	**0.1**
–	–	–	(168.3)	–	**(168.3)**
–	–	–	–	–	**(127.5)**
–	–	–	(28.2)	–	**(28.2)**
–	–	–	(3.3)	–	**(3.3)**
–	–	–	5.1	–	**(20.7)**
21.1	**47.0**	**38.7**	**(368.2)**	**–**	**983.0**
–	–	–	9.2	–	**8,215.9**
–	–	–	–	–	**576.4**
–	–	335.8	–	–	**335.8**
–	–	–	147.9	–	**7,433.4**
–	**–**	**335.8**	**157.1**	**–**	**16,561.5**

Group performance continued

Note 1 Operating segments continued

30 June 2019	Office $m	Industrial $m
Segment performance measures		
Property revenue	724.8	164.0
Property management fees	–	–
Development revenue	–	–
Management fee revenue	–	–
Total operating segment revenue	**724.8**	**164.0**
Property expenses & property management salaries	(218.6)	(33.7)
Management operations expenses	–	–
Corporate and administration expenses	(13.3)	(3.3)
Development costs	–	–
Interest revenue	–	–
Finance costs	–	–
Incentive amortisation and rent straight-line	106.5	10.3
FFO tax expense	–	–
Rental guarantees, coupon income and other	11.1	–
Funds From Operations (FFO)	**610.5**	**137.3**
Net fair value gain/(loss) of investment properties	594.6	170.3
Net fair value gain/(loss) of derivatives	–	–
Transaction costs and one-off significant items	–	–
Net gain/(loss) on sale of investment properties	–	1.8
Net fair value gain/(loss) of interest bearing liabilities	–	–
Incentive amortisation and rent straight-line	(106.5)	(10.3)
Amortisation of intangible assets	–	–
Non FFO tax expense	–	–
Rental guarantees, coupon income and other	(11.1)	–
Net profit/(loss) attributable to stapled security holders	**1,087.5**	**299.1**
Investment properties	6,984.4	1,185.6
Inventories	–	–
Equity accounted investment properties	5,966.4	935.6
Direct property portfolio	**12,950.8**	**2,121.2**

Property management $m	Funds management $m	Development and trading $m	All other segments $m	Eliminations $m	Total $m
–	–	–	–	(3.0)	**885.8**
28.5	–	–	–	–	**28.5**
–	–	96.9	–	–	**96.9**
40.1	64.1	9.1	–	–	**113.3**
68.6	**64.1**	**106.0**	**–**	**(3.0)**	**1,124.5**
(19.6)	–	–	–	–	**(271.9)**
(31.6)	(24.3)	(11.7)	–	–	**(67.6)**
–	–	–	(30.2)	3.0	**(43.8)**
–	–	(47.4)	–	–	**(47.4)**
–	–	–	2.3	–	**2.3**
–	–	–	(119.4)	–	**(119.4)**
–	–	–	–	–	**116.8**
–	–	(14.8)	(12.3)	–	**(27.1)**
–	–	–	4.0	–	**15.1**
17.4	**39.8**	**32.1**	**(155.6)**	**–**	**681.5**
–	–	–	8.2	–	**773.1**
–	–	–	109.4	–	**109.4**
–	–	–	(3.1)	–	**(3.1)**
–	–	–	–	–	**1.8**
–	–	–	(127.8)	–	**(127.8)**
–	–	–	–	–	**(116.8)**
–	–	–	(6.1)	–	**(6.1)**
–	–	–	(15.7)	–	**(15.7)**
–	–	–	(4.2)	–	**(15.3)**
17.4	**39.8**	**32.1**	**(194.9)**	**–**	**1,281.0**
–	–	–	–	–	**8,170.0**
–	–	457.7	–	–	**457.7**
–	–	–	85.8	–	**6,987.8**
–	**–**	**457.7**	**85.8**	**–**	**15,615.5**

Group performance continued

Note 1 Operating segments continued

Other segment information

Funds From Operations (FFO)

The Directors consider the Property Council of Australia's (PCA) definition of FFO to be a measure that reflects the underlying performance of the Group. FFO comprises net profit/loss after tax attributable to stapled security holders, calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and foreign exchange mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, certain transaction costs, one-off significant items, amortisation of intangible assets, movements in right-of-use assets and lease liabilities, rental guarantees and coupon income.

Reconciliation of segment revenue to the Consolidated Statement of Comprehensive Income

	2020 $m	2019 $m
Property lease revenue	**801.9**	771.5
Property services revenue	**135.0**	114.3
Property revenue	**936.9**	885.8
Property management fees	**42.3**	28.5
Development revenue	**275.8**	96.9
Management fee revenue	**125.5**	113.3
Total operating segment revenue	**1,380.5**	1,124.5
Share of property lease revenue from joint ventures	**(347.7)**	(292.9)
Share of property services revenue from joint ventures	**(55.7)**	(45.5)
Share of management fees charged to joint ventures	**14.3**	8.0
Interest revenue	**0.5**	1.0
Total revenue from ordinary activities	**991.9**	795.1

Reconciliation of segment assets to the Consolidated Statement of Financial Position

	2020 $m	2019 $m
Direct property portfolio[1]	**16,561.5**	15,615.5
Cash and cash equivalents	**31.8**	29.8
Receivables	**132.2**	144.0
Intangible assets	**332.8**	322.1
Derivative financial instruments	**696.2**	532.6
Plant and equipment	**13.4**	15.0
Right-of-use assets	**13.4**	–
Prepayments and other assets[2]	**(159.2)**	(137.7)
Total assets	**17,622.1**	16,521.3

1. Includes the Group's portion of investment properties accounted for using the equity method.
2. Other assets include the Group's share of total net assets of its investments accounted for using the equity method less the Group's share of the investment property value which is included in the direct property portfolio.

Note 2 Property revenue and expenses

The Group's main revenue stream is property rental revenue and is derived from holding properties as investment properties and earning rental yields over time. Rental revenue is recognised on a straight-line basis over the lease term for leases with fixed rent review clauses.

Prospective tenants may be offered incentives as an inducement to enter into operating leases. The costs of incentives are recognised as a reduction of rental revenue on a straight-line basis from the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

Within its lease arrangements, the Group provides certain services to tenants (such as utilities, cleaning, maintenance and certain parking arrangements) which are accounted for within AASB 15 *Revenue from Contracts with Customers*. A portion of the consideration within the lease arrangements is therefore allocated to revenue for the provision of services.

	2020 $m	2019 $m
Rent and recoverable outgoings	**471.3**	471.7
Services revenue	**79.3**	68.8
Incentive amortisation	**(78.4)**	(66.8)
Other revenue	**61.3**	73.7
Total property revenue	**533.5**	547.4

COVID-19 rent relief

In April 2020, the Australian Government introduced a National Code of Conduct (Code of Conduct) and set of principles which applies to commercial tenancies (including retail, office and industrial) for small and medium enterprise customers (SMEs) with turnover of less than $50 million experiencing financial stress or hardship as a result of the COVID-19 pandemic as defined by their eligibility for the Commonwealth Government's JobKeeper Program. The Code of Conduct has been implemented on a State by State basis through specific legislation.

The objective of the Code of Conduct and the State based legislation is to ensure the landlord and tenant share, in a proportionate, measured manner the financial risk and cash flow impact during the COVID-19 period. The legislation applies for the prescribed period as defined under the regulations for each State (which is approximately 6 months to September 2020 in all States other than Tasmania and ACT). The JobKeeper Program has been extended to 28 March 2021 however the extension of the JobKeeper payment does not automatically extend legislation associated with the Code of Conduct. Changes to legislation in each State will be monitored to understand if any extensions are enacted and whether the Code of Conduct will apply to this extended period.

Dexus is working with impacted tenants who meet the criteria to implement the requirements under the legislation and provide relief packages. While there is no one size fits all approach, Dexus' immediate priority is to support SMEs who have been significantly impacted by the coronavirus pandemic and is progressing discussions with these customers on various forms of rent relief.

For tenants eligible under the Code of Conduct and State based legislation, rent relief comprises a proportionate reduction in rent payable in the form of waivers and deferrals of up to 100% of the amount ordinarily payable, on a case-by-case basis, based on the reduction in the tenant's turnover during the COVID-19 pandemic period. Rental waivers must generally constitute at least 50% of the rent relief offered. The repayment period for rent deferrals differs across States. In New South Wales, there is no mandatory minimum repayment period for deferred rent. In Victoria and Western Australia, the deferral is repayable over the balance of the lease term and 24 months, whichever is the greater (unless otherwise agreed). In Queensland, the deferral is repayable over a period of 2-3 years.

Rent relief may take a different form for those tenants that are ineligible under the Code of Conduct and the State based legislation. Dexus continues to work with its tenants to understand whether they are eligible for rental relief under the Code of Conduct and the State based legislation. The various rent relief measures are accounted for as follows in line with ASIC guidance '20-157MR Focuses for financial reporting under COVID-19 conditions' published on 7 July 2020.

When a rent waiver agreement is made between the landlord and tenant:

- Rent waived that relates to future occupancy is spread over the remaining lease term and recognised on a straight-line basis
- Rent waived that relates to past occupancy is expensed immediately, except to the extent there exists a pre-existing provision for expected credit losses relating to unpaid rent

Property revenue has been recognised for occupancy up to the date of a waiver agreement. Where there was no agreement at 30 June 2020, a provision for expected credit losses per AASB 9 *Financial Instruments* has been recognised against any receivable for unpaid rent for past occupancy.

The provision for expected credit losses is recognised with a corresponding expense in Property expenses. The provision covers the difference between contractual cash flows that are due and cash flows expected to be received. Accordingly, the provision includes both that part of the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant. Refer to note 18 *Working capital* for the amount of the provision for expected credit losses recognised at the reporting date.

In the circumstance where the tenant has fully paid rent for the period of occupancy up to balance date, there is no rent receivable against which to make a provision. Where it is expected that some of the rent already paid by the tenant will be waived, there is no basis to recognise a liability at balance date. Based on management's best estimate at the reporting date, $7.3 million of rent income recognised in the year ended 30 June 2020 is expected to be waived in the year ended 30 June 2021 once formal rent relief agreements have been signed.

Group performance continued

Note 2 Property revenue and expenses continued

Rent deferrals, where in substance the deferral is a delayed timing of payments have no impact on property revenue recognition. A separate assessment of the recoverability of rent receivable is performed in accordance with the policy outlined in note 18 *Working capital.*

Property expenses

Property expenses of $163.3 million (2019: $157.6 million) includes rates, taxes and other property outgoings incurred in relation to investment properties. If these items are recovered from a tenant by the Group, they are recorded within Services revenue or recoverable outgoings within Property revenue.

Note 3 Management operations, corporate and administration expenses

	2020 $m	2019 $m
Audit, taxation, legal and other professional fees	**9.3**	6.0
Depreciation and amortisation	**13.2**	10.3
Employee benefits expense	**92.4**	87.9
Administration and other expenses	**20.8**	16.9
Total management operations, corporate and administration expenses	**135.7**	121.1

Note 4 Finance costs

Finance costs include interest, amortisation or other costs incurred in connection with arrangement of borrowings, finance costs on lease liabilities and net fair value movements of interest rate swaps. Finance costs are expensed as incurred unless they relate to qualifying assets.

A qualifying asset is an asset under development which takes a substantial period of time, where the works being carried out to bring it to its intended use or sale are expected to exceed 12 months in duration. Finance costs incurred for the acquisition and construction of a qualifying asset are capitalised to the cost of the asset for the period of time that is required to complete the asset. To the extent that funds are borrowed generally to fund development, the amount of borrowing costs to be capitalised to qualifying assets must be determined by using an appropriate capitalisation rate.

	2020 $m	2019 $m
Interest paid/payable	**120.2**	124.5
Amount capitalised	**(9.5)**	(24.4)
Net fair value (gain)/loss of interest rate derivatives and exchangeable note	**40.6**	39.5
Finance costs – leases[1] and debt modification	**2.6**	2.0
Other finance costs	**9.5**	10.3
Total finance costs	**163.4**	151.9

1. The Group adopted AASB 16 *Leases* on 1 July 2019. Interest on the lease liability is a component of finance costs. Refer to note 25 *Changes in accounting policies* for further information.

The average capitalisation rate used to determine the amount of finance costs eligible for capitalisation is 4.00% (2019: 5.25%).

Note 5 Taxation

Under current Australian income tax legislation, DDF, DIT and DOT are not liable for income tax provided they satisfy certain legislative requirements, which were met in the current and previous financial years. DXO is liable for income tax and has formed a tax consolidated group with its wholly owned and controlled Australian entities. As a consequence, these entities are taxed as a single entity.

Income tax expense is comprised of current and deferred tax expense. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense represents the expense relating to the expected taxable income at the applicable rate of the financial year.

Deferred tax expense represents the tax expense in respect of the future tax consequences of recovering or settling the carrying amount of an asset or liability. Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that future taxable profit will be available to utilise them.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise them.

Attribution managed investment trust regime

Dexus made an election for DDF, DOT and DIT to be attribution managed investment trusts (AMITs) for the year ended 30 June 2017 and future years. The AMIT regime is intended to reduce complexity, increase certainty and minimise compliance costs for AMITs and their investors.

a) Income tax (expense)/benefit

	2020 $m	2019 $m
Current income tax expense	**(25.3)**	(47.1)
Deferred income tax (expense)/benefit	**(15.6)**	4.3
Total income tax expense	**(40.9)**	(42.8)
Deferred income tax expense included in income tax (expense)/benefit comprises:		
(Decrease)/increase in deferred tax assets	**(1.1)**	2.3
(Increase)/decrease in deferred tax liabilities	**(14.5)**	2.0
Total deferred tax benefit/(expense)	**(15.6)**	4.3

b) Reconciliation of income tax (expense)/benefit to net profit

	2020 $m	2019 $m
Profit before income tax	**1,023.9**	1,323.8
Less: profit attributed to entities not subject to tax	**(891.7)**	(1,172.8)
Profit subject to income tax	**132.2**	151.0
Prima facie tax expense at the Australian tax rate of 30% (2019: 30%)	**(39.7)**	(45.3)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
(Non-assessable)/non-deductible items	**(1.2)**	2.5
Income tax expense	**(40.9)**	(42.8)

Group performance continued

Note 5 Taxation continued

c) Deferred tax assets

	2020 $m	2019 $m
The balance comprises temporary differences attributable to:		
Employee provisions	**13.9**	15.9
Other	**2.8**	1.9
Total non-current assets – deferred tax assets	**16.7**	17.8
Movements:		
Opening balance at the beginning of the year	**17.8**	15.5
Movement in deferred tax asset arising from temporary differences	**(1.1)**	2.3
(Charged)/credited to the Consolidated Statement of Comprehensive Income	**(1.1)**	2.3
Closing balance at the end of the year	**16.7**	17.8

d) Deferred tax liabilities

	2020 $m	2019 $m
The balance comprises temporary differences attributable to:		
Intangible assets	**72.4**	74.8
Investment properties	**42.3**	31.5
Other	**7.0**	0.9
Total non-current liabilities – deferred tax liabilities	**121.7**	107.2
Movements		
Opening balance at the beginning of the year	**107.2**	109.2
Movement in deferred tax liability arising from temporary differences	**14.5**	(2.0)
Charged/(credited) to the Consolidated Statement of Comprehensive Income	**14.5**	(2.0)
Closing balance at the end of the year	**121.7**	107.2

Net deferred tax liabilities

	2020 $m	2019 $m
Deferred tax assets	**16.7**	17.8
Deferred tax liabilities	**121.7**	107.2
Net deferred tax liabilities	**105.0**	89.4

Note 6 Earnings per unit

Earnings per unit are determined by dividing the net profit attributable to unitholders by the weighted average number of ordinary units outstanding during the year. Diluted earnings per unit are adjusted from the basic earnings per unit by taking into account the impact of dilutive potential units.

a) Net profit used in calculating basic and diluted earnings per security

	2020 $m	2019 $m
Profit attributable to unitholders of the Trust (parent entity) for basic and diluted earnings per security	**284.6**	315.7
Profit attributable to stapled security holders for basic earnings per security	**983.0**	1,281.0
Effect on exchange of Exchangeable Notes	**12.7**	(12.6)
Profit attributable to stapled security holders for diluted earnings per security	**995.7**	1,268.4

b) Weighted average number of securities used as a denominator

	2020 No. of securities	2019 No. of securities
Weighted average number of units outstanding used in calculation of basic earnings per unit	**1,095,096,969**	1,028,577,220
Effect on exchange of Exchangeable Notes	**28,333,333**	8,046,239
Weighted average number of units outstanding used in calculation of diluted earnings per unit	**1,123,430,302**	1,036,623,459

Note 7 Distributions paid and payable

Distributions are recognised when declared.

a) Distribution to security holders

	2020 $m	2019 $m
31 December (paid 28 February 2020)	**296.0**	276.7
30 June (payable 28 August 2020)	**254.3**	252.3
Total distribution to security holders	**550.3**	529.0

b) Distribution rate

	2020 Cents per security	2019 Cents per security
31 December (paid 28 February 2020)	**27.0**	27.2
30 June (payable 28 August 2020)	**23.3**	23.0
Total distributions	**50.3**	50.2

c) Franked dividends

	2020 $m	2019 $m
Opening balance at the beginning of the year	**66.2**	56.8
Income tax paid during the year	**49.1**	30.8
Franking credits utilised for payment of distribution	**(21.4)**	(21.4)
Closing balance at the end of the year	**93.9**	66.2

As at 30 June 2020, the Group has a current tax asset of $2.6 million, which will be added to the franking account balance once payment is made.

Property portfolio assets

In this section
The following table summarises the property portfolio assets detailed in this section.

30 June 2020	Note	Leased asset $m	Office $m	Industrial $m	Healthcare $m	Total $m
Investment properties	8	9.2	6,978.6	1,228.1	–	8,215.9
Equity accounted investments	9	8.2	6,510.6	774.9	139.7	7,433.4
Inventories	10	–	120.8	215.0	–	335.8
Assets held for sale	11	–	561.0	15.4	–	576.4
Total		17.4	14,171.0	2,233.4	139.7	16,561.5

Property portfolio assets are used to generate the Group's performance and are considered to be the most relevant to the understanding of the operating performance of the Group. The assets are detailed in the following notes:

- *Investment properties:* relates to investment properties, both stabilised and under development.
- *Investments accounted for using the equity method:* provides summarised financial information on the joint ventures and investments with significant influence. The Group's interests in its joint venture property portfolio assets are held through investments in trusts.
- *Inventories:* relates to the Group's ownership of industrial and office assets or land held for repositioning, development and sale.
- *Non-current assets classified as held for sale:* relates to investment properties which are expected to be sold within 12 months of the reporting date and are currently being marketed for sale.

Note 8 Investment properties

The Group's investment properties consist of properties held for long-term rental yields and/or capital appreciation and property that is being constructed or developed for future use as investment property. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently recognised at fair value.

The basis of valuations of investment properties is fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Changes in fair values are recorded in the Consolidated Statement of Comprehensive Income. The gain or loss on disposal of an investment property is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Consolidated Statement of Comprehensive Income in the year of disposal.

Subsequent redevelopment and refurbishment costs (other than repairs and maintenance) are capitalised to the investment property where they result in an enhancement in the future economic benefits of the property.

Leasing fees incurred and incentives provided are capitalised and amortised over the lease periods to which they relate.

a) Reconciliation

	Note	Office $m	Industrial $m	2020 $m	2019 $m
Opening balance at the beginning of the year		**6,984.4**	**1,185.6**	**8,170.0**	8,242.6
Additions		**200.5**	**40.2**	**240.7**	284.0
Acquisitions		**100.6**	**71.1**	**171.7**	359.2
Lease incentives		**53.0**	**7.4**	**60.4**	57.6
Amortisation of lease incentives		**(75.3)**	**(9.4)**	**(84.7)**	(71.9)
Rent straight lining		**13.3**	**1.5**	**14.8**	9.9
Disposals		**(71.5)**	**(151.8)**	**(223.3)**	(628.3)
Transfer to non-current assets classified as held for sale	11	**(530.0)**	**–**	**(530.0)**	–
Transfers from investment property to investments accounted for using the equity method	9	**–**	**–**	**–**	(642.7)
Transfer from inventories	10	**–**	**–**	**–**	104.2
Net fair value gain/(loss) of investment properties		**303.0**	**83.5**	**386.5**	455.4
Ground leases of investment properties[1]		**9.8**	**–**	**9.8**	–
Closing balance at the end of the year		**6,987.8**	**1,228.1**	**8,215.9**	8,170.0

1. The Group has applied AASB 16 *Leases* from 1 July 2019. The leased asset includes ground leases at Parkade 34-60 Little Collins Street, Melbourne VIC and Waterfront Place, 1 Eagle Street Brisbane QLD. Under AASB 16 *Leases*, lease liabilities need to be separately disclosed in the Consolidated Statement of Financial Position. The investment property carrying values are grossed up to ensure that the amount net of the corresponding lease liabilities relating to the ground lease portion equals the fair value of the investment properties.

Leased assets

The Group holds leasehold interests in a number of properties. Leasehold land that meets the definition of investment property under AASB 140 *Investment Property* is measured at fair value and presented within Investment property. The leased asset is measured initially at an amount equal to the corresponding lease liability. Subsequent to initial recognition, the leased asset is recognised at fair value in the Consolidated Statement of Financial Position. Refer to note 13 for details of the *Lease liabilities* and note 25 for *Changes to accounting policies.*

Acquisitions

On 30 July 2019, settlement occurred for the acquisition of 52 Collins Street, Melbourne, VIC for $70.0 million excluding acquisition costs.

On 30 September 2019, settlement occurred for the acquisition of Homemaker Centre, 19 Stoddard Road, Prospect, NSW for $64.3 million excluding acquisition costs.

During the year, settlement occurred for the acquisition of various other investment properties totalling $28.1 million excluding transaction costs.

Disposals

On 28 February 2020, settlement occurred for the disposal of Garema Court, 14-180 City Walk, Canberra, ACT for $71.5 million excluding transaction costs.

On 1 April 2020, settlement occurred for the disposal of a further 24% interest in the Dexus Australia Logistics Trust (DALT) core portfolio assets in connection with the exercise of second tranche rights by GIC on 23 December 2019 for $151.8 million excluding transaction costs.

Property portfolio assets continued

Note 8 Investment properties continued

b) Valuations process

It is the policy of the Group to perform independent valuations for each individual property at least once every three years by a member of the Australian Property Institute of Valuers. It has been the Group's practice to have such valuations performed every six months. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three years except for properties under development and co-owned properties. Independent valuations may be undertaken earlier where the Responsible Entity believes there is potential for a change in the fair value of the property being the greater of 5% of the asset value, or $5.0 million. At 30 June 2020, 107 out of 118 of investment properties were independently externally valued.

The Group's policy requires investment properties to be internally valued at least every six months at each reporting period (interim and full-year) unless they have been independently externally valued. Internal valuations are compared to the carrying value of investment properties at the reporting date. Where the Directors determine that the internal valuations present a more reliable estimate of fair value the internal valuation is adopted as book value. Internal valuations are performed by the Group's internal valuers who hold recognised relevant professional qualifications and have previous experience as property valuers from major real estate valuation firms.

An appropriate valuation methodology is utilised according to asset class. In relation to office and industrial assets this includes the capitalisation approach (market approach) and the discounted cash flow approach (income approach). The valuation is also compared to, and supported by, direct comparison to recent market transactions. The adopted capitalisation rates and discount rates are determined based on industry expertise and knowledge and, where possible, a direct comparison to third party rates for similar assets in a comparable location. Rental revenue from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are also built into each asset assessment of fair value.

In relation to development properties under construction for future use as investment property, where reliably measurable, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date (using the methodology as outlined above) less costs still required to complete the project, including an appropriate adjustment for industry benchmarked profit and development risk.

c) Fair value measurement, valuation techniques and inputs

The following table represents the level of the fair value hierarchy and the associated unobservable inputs utilised in the fair value measurement for each class of investment property including investment property held within investments accounted for using the equity method.

Class of property	Fair value hierarchy	Inputs used to measure fair value	Range of unobservable inputs	
			2020	2019
Office[1]	Level 3	Adopted capitalisation rate	**4.00% – 6.25%**	4.50% – 7.00%
		Adopted discount rate	**5.75% – 7.50%**	6.50% – 7.50%
		Adopted terminal yield	**4.25% – 6.63%**	4.75% – 7.50%
		Current net market rental (per sqm)	**$228 – $1,452**	$383 – $1,398
Industrial	Level 3	Adopted capitalisation rate	**4.75% – 10.50%**	5.00% – 10.75%
		Adopted discount rate	**6.00% – 10.50%**	6.50% – 10.75%
		Adopted terminal yield	**4.75% – 10.50%**	5.25% – 10.75%
		Current net market rental (per sqm)	**$40 – $610**	$38 – 558
Leased asset	Level 3	Adopted discount rate	**3.50% – 8.15%**	–
		Current net market rental (per sqm)	**$100 – $478**	–

1. Includes office developments and excludes car parks, retail and other.

Key estimates: inputs used to measure fair value of investment properties
Judgement is required in determining the following key assumptions:

- **Adopted capitalisation rate:** The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation.
- **Adopted discount rate:** The rate of return used to convert cash flows, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence and the prior external valuation.
- **Adopted terminal yield:** The capitalisation rate used to convert the future net market rental revenue into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regard to market evidence and the prior external valuation.
- **Net market rental (per sqm):** The net market rent is the estimated amount for which a property should lease between a lessor and a lessee on appropriate lease terms in an arm's length transaction.

d) Impact of COVID-19 on fair value of investment properties

There is a significant level of uncertainty to the ultimate impact of COVID-19 as to the Group's investment property valuations. As a result, the independent valuations incorporate a range of assumptions used in determining appropriate fair values for investment properties as at 30 June 2020. The assumptions that have had the greatest impact on the valuations are listed below:

- Valuers have adjusted market rental growth, downtime and incentive assumptions within their discounted cashflow (DCF) method of valuing and have generally had more regard to this valuation methodology when determining the adopted value
- Some valuers have incorporated an allowance for the uncertainty in relation to the payment of rent with regards to the Government's 'code of conduct' where the tenant pool comprises small to medium enterprises (SMEs) and
- Capitalisation and discount rates have generally firmed over the 12 months to June with the firming largely being seen in the first six months prior to the impact of COVID-19. Office and industrial transactional evidence post COVID-19, while limited, suggests capitalisation and discount rates have not yet been impacted

The independent valuations obtained by the Group also include significant valuation uncertainty clauses due to the unknown impacts to the property industry. Noting the uncertainty, the Group considers that the assumptions used in the valuations are appropriate for the purposes of determining fair value of investment properties at 30 June 2020.

Property portfolio assets continued

Note 8 Investment properties continued

e) Sensitivity information

Significant movement in any one of the inputs listed in the table above may result in a change in the fair value of the Group's investment properties, including investment properties within investments accounted for using the equity method, as shown below.

The estimated impact of a change in the certain significant unobservable inputs would result in a change in the fair value as follows:

	Industrial		Office	
	2020 $m	2019 $m	**2020 $m**	2019 $m
A decrease of 25 basis points in the adopted capitalisation rate	**93.6**	93.5	**736.3**	660.3
An increase of 25 basis points in the adopted capitalisation rate	**(85.6)**	(86.0)	**(663.8)**	(599.2)
A decrease of 25 basis points in the adopted discount rate	**78.4**	78.6	**568.7**	512.6
An increase of 25 basis points in the adopted discount rate	**(72.7)**	(73.2)	**(524.5)**	(475.0)
A decrease of 5% in the net market rental (per sqm)	**(100.2)**	(106.1)	**(674.5)**	(647.5)
An increase of 5% in the net market rental (per sqm)	**100.2**	106.1	**674.5**	647.5

Generally, a change in the assumption made for the adopted capitalisation rate is often accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the capitalisation approach whilst the adopted terminal yield forms part of the discounted cash flow approach.

Under the capitalisation approach, the net market rental has a strong interrelationship with the adopted capitalisation rate as the fair value of the investment property is derived by capitalising, in perpetuity, the total net market rent receivable. An increase (softening) in the adopted capitalisation rate may offset the impact to fair value of an increase in the total net market rent. A decrease (tightening) in the adopted capitalisation rate may also offset the impact to fair value of a decrease in the total net market rent. A directionally opposite change in the total net market rent and the adopted capitalisation rate may increase the impact to fair value.

The discounted cash flow is primarily made up of the discounted cash flow of net income over the cash flow period and the discounted terminal value (which is largely based upon market rents grown at forecast market rental growth rates capitalised at an adopted terminal yield). An increase (softening) in the adopted discount rate may offset the impact to fair value of a decrease (tightening) in the adopted terminal yield. A decrease (tightening) in the discount rate may offset the impact to fair value of an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield may increase the impact to fair value.

A decrease (softening) in the forecast rental growth rate may result in a negative impact on the discounted cash flow approach value while a strengthening may have a positive impact on the value under the same approach.

f) Investment properties pledged as security

Refer to note 14 for information on investment properties pledged as security.

Note 9 Investments accounted for using the equity method

a) Interest in joint ventures

Investments are accounted for in the Consolidated Financial Statements using the equity method of accounting (refer to the 'Principles of Consolidation' section). The proportion of ownership interest and the carrying amount of Dexus's interest in these entities is set out below. The below entities were formed in Australia and their principal activity is property investment in Australia.

	Ownership interest			
Name of entity	**2020 %**	2019 %	**2020 $m**	2019 $m
Bent Street Trust	**33.3**	33.3	**358.8**	349.5
Dexus Creek Street Trust	**50.0**	50.0	**199.5**	176.6
Dexus Martin Place Trust	**50.0**	50.0	**926.5**	826.9
Grosvenor Place Holding Trust[1,2]	**50.0**	50.0	**483.2**	469.7
Site 6 Homebush Bay Trust[1]	**50.0**	50.0	**46.3**	42.9
Site 7 Homebush Bay Trust[1]	**50.0**	50.0	**62.1**	54.2
Dexus 480 Q Holding Trust	**50.0**	50.0	**390.1**	386.5
Dexus Kings Square Trust	**50.0**	50.0	**234.5**	220.7
Dexus Office Trust Australia (DOTA)	**50.0**	50.0	**2,696.4**	2,410.9
Dexus Industrial Trust Australia (DITA)	**50.0**	50.0	**218.4**	202.4
Dexus Eagle Street Pier Trust	**50.0**	50.0	**33.0**	31.2
Healthcare Wholesale Property Fund (HWPF)[3]	**27.8**	23.8	**126.2**	56.1
Dexus Australian Logistics Trust (DALT)[4]	**51.0**	75.0	**465.1**	657.5
Dexus Australian Logistics Trust No.2 (DALT2)	**51.0**	51.0	**130.1**	65.2
Dexus 80C Trust	**75.0**	75.0	**830.1**	873.4
Dexus Walker Street Trust[5]	**50.0**	50.0	**9.6**	–
Dexus Australia Commercial Trust[6]	**10.0**	–	**68.6**	–
RealTech Ventures	**62.1**	–	**8.9**	–
Total assets – investments accounted for using the equity method[7]			**7,287.4**	6,823.7

1. These entities are 50% owned by DOTA. The Group's economic interest is therefore 75% when combined with the interest held by DOTA.
2. Grosvenor Place Holding Trust owns 50% of Grosvenor Place, 225 George Street, Sydney, NSW. The Group's economic interest in this property is therefore 37.5%.
3. The Group increased its interest in HWPF through the acquisition of units held by Commercial & General. The increase in the Group's interest in HWPF was subsequently diluted as a result of HWPF issuing units to other existing and new unitholders.
4. On 1 April 2020, the Group disposed of a 24% interest in DALT to GIC for $214.3 million in connection with the exercise of their second tranche rights on 23 December 2019.
5. Dexus Walker Street Trust was formed in Australia on 14 June 2019 and its principal activity is property investment in Australia. During the year to June 2020, settlements occurred on a partial interest in 121 Walker Street, North Sydney for $22.5 million excluding acquisition costs (100% share).
6. Dexus Australia Commercial Trust was formed on 3 April 2020 and its principal activity is property investment in Australia. On 1 June 2020, settlement occurred on the acquisition of a 50% interest in Rialto Towers, 525 Collins Street, Melbourne for $644 million excluding acquisition costs.
7. The Group's share of investment properties in the investments accounted for using the equity method was $7,433.4 million (2019: $6,987.8 million). These investments are accounted for using the equity method as a result of contractual arrangements requiring unanimous decisions on all relevant matters.

b) Impact of COVID-19 on Investments accounted for using the equity method

The carrying values of the above investments accounted for using the equity method have been tested for impairment under AASB 136 *Impairment of Assets* to take into consideration the impact of COVID-19.

The main risk to the value of the investments accounted for using the equity method is the fair value of the underlying investment properties. Note 8 gives further explanation of the approach taken to measure the fair value of investment properties in light of COVID-19. Any fair value movements are recorded within share of net profit of investments accounted for using the equity method in the Consolidated Statement of Comprehensive Income. During the year, there were impairment losses of $12.2 million.

c) Summarised financial information for individually material joint ventures

The following table provides summarised financial information for the joint ventures which, in the opinion of the directors, are material to the Group. The information disclosed reflects the amounts presented in the Financial Statements of the relevant joint ventures and not Dexus' share of those amounts.

Property portfolio assets continued

Note 9 Investments accounted for using the equity method continued

d) Summarised financial information for individually material joint ventures

	Bent Street Trust		Dexus Creek Street Trust	
Summarised Statement of Financial Position	**2020 $m**	2019 $m	**2020 $m**	2019 $m
Current assets				
Cash and cash equivalents	**3.7**	2.1	**2.2**	1.0
Other current assets	**2.0**	1.9	**1.2**	1.1
Total current assets	**5.7**	4.0	**3.4**	2.1
Non-current assets				
Investment properties	**1,100.0**	1,070.0	**400.0**	362.0
Investments accounted for using the equity method	**–**	–	**–**	–
Loans with related parties	**–**	–	**–**	–
Other non-current assets	**–**	–	**0.2**	0.2
Total non-current assets	**1,100.0**	1,070.0	**400.2**	362.2
Current liabilities				
Provision for distribution	**20.2**	16.4	**0.6**	–
Borrowings	**–**	–	**–**	–
Other current liabilities	**9.2**	8.0	**4.0**	10.6
Total current liabilities	**29.4**	24.4	**4.6**	10.6
Non-current liabilities				
Borrowings	**–**	–	**–**	–
Other non-current liabilities	**–**	–	**–**	–
Total non-current liabilities	**–**	–	**–**	–
Net assets	**1,076.3**	1,049.6	**399.0**	353.7
Reconciliation to carrying amounts:				
Opening balance at the beginning of the year	**1,049.6**	1,034.1	**353.7**	323.6
Additions	**–**	–	**30.7**	22.1
Profit for the year	**83.5**	73.1	**29.6**	22.9
Distributions received/receivable	**(56.8)**	(57.6)	**(15.0)**	(14.9)
Closing balance at the end of the year	**1,076.3**	1,049.6	**399.0**	353.7
Group's share in $m	**358.8**	349.5	**199.5**	176.6
Elimination of downstream transactions	**–**	–	**–**	–
Notional goodwill	**–**	–	**–**	–
Group's carrying amount	**358.8**	349.5	**199.5**	176.6
Summarised Statement of Comprehensive Income				
Property revenue	**54.8**	52.5	**21.9**	21.5
Property revaluations	**41.9**	33.6	**17.2**	10.1
Gain on sale of investment properties	**–**	–	**–**	–
Interest income	**–**	0.1	**–**	–
Share of net profit of investments accounted for using the equity method	**–**	–	**–**	–
Other income	**0.1**	–	**–**	0.1
Property expenses	**(13.3)**	(13.1)	**(7.3)**	(6.9)
Finance costs	**–**	–	**–**	–
Other expenses	**–**	–	**(2.2)**	(1.9)
Net profit/(loss) for the year	**83.5**	73.1	**29.6**	22.9
Total comprehensive income/(loss) for the year	**83.5**	73.1	**29.6**	22.9

Dexus Martin Place Trust		Grosvenor Place Holding Trust		Dexus 480Q Holding Trust		Dexus Kings Square Trust		Dexus Office Trust Australia	
2020 $m	2019 $m	**2020 $m**	2019 $m	**2020 $m**	2019 $m	**2020 $m**	2019 $m	**2020 $m**	2019 $m
10.6	8.3	**0.8**	2.2	**4.0**	1.0	**4.3**	0.9	**55.0**	14.6
10.7	24.0	**3.2**	3.0	**1.3**	7.9	**0.1**	14.0	**82.3**	110.6
21.3	32.3	**4.0**	5.2	**5.3**	8.9	**4.4**	14.9	**137.3**	125.2
1,861.8	1,644.0	**975.0**	937.5	**780.0**	781.0	**477.0**	449.0	**4,729.6**	4,346.3
–	–	**–**	–	**–**	–	**–**	–	**591.6**	566.8
–	–	**–**	–	**–**	–	**–**	–	**–**	–
0.5	0.2	**–**	–	**0.2**	0.2	**–**	–	**48.6**	44.5
1,862.3	1,644.2	**975.0**	937.5	**780.2**	781.2	**477.0**	449.0	**5,369.8**	4,957.6
2.4	–	**5.9**	–	**0.8**	–	**4.7**	15.7	**30.2**	22.2
–	–	**–**	–	**–**	–	**–**	–	**0.1**	149.3
28.2	22.8	**6.7**	3.3	**4.6**	17.1	**7.7**	6.8	**61.5**	51.9
30.6	22.8	**12.6**	3.3	**5.4**	17.1	**12.4**	22.5	**91.8**	223.4
–	–	**–**	–	**–**	–	**–**	–	**22.5**	22.6
–	–	**–**	–	**–**	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–	**–**	–	**22.5**	22.6
1,853.0	1,653.7	**966.4**	939.4	**780.1**	773.0	**469.0**	441.4	**5,392.8**	4,836.8
1,653.7	753.7	**939.4**	904.6	**773.0**	761.0	**441.4**	432.6	**4,836.8**	4,344.3
80.4	870.6	**–**	5.1	**5.1**	2.9	**0.8**	6.8	**387.6**	199.9
173.4	66.0	**72.5**	76.8	**42.2**	38.3	**51.7**	50.9	**389.0**	508.5
(54.5)	(36.6)	**(45.5)**	(47.1)	**(40.2)**	(29.2)	**(24.9)**	(48.9)	**(220.6)**	(215.9)
1,853.0	1,653.7	**966.4**	939.4	**780.1**	773.0	**469.0**	441.4	**5,392.8**	4,836.8
926.5	826.9	**483.2**	469.7	**390.1**	386.5	**234.5**	220.7	**2,696.4**	2,418.4
–	–	**–**	–	**–**	–	**–**	–	**–**	(7.5)
–	–	**–**	–	**–**	–	**–**	–	**–**	–
926.5	826.9	**483.2**	469.7	**390.1**	386.5	**234.5**	220.7	**2,696.4**	2,410.9
91.5	56.0	**51.5**	52.8	**52.5**	65.7	**36.0**	42.4	**297.7**	279.3
115.2	27.6	**34.5**	36.4	**9.0**	14.3	**29.4**	21.1	**155.6**	276.1
1.0	–	**–**	–	**–**	–	**–**	–	**–**	2.7
0.1	0.2	**–**	0.1	**–**	0.8	**–**	0.2	**0.3**	0.7
–	–	**–**	–	**–**	–	**–**	–	**46.2**	56.1
–	–	**–**	–	**0.1**	(0.1)	**–**	–	**0.4**	0.1
(24.6)	(12.6)	**(13.4)**	(12.5)	**(15.1)**	(38.0)	**(11.1)**	(10.3)	**(90.0)**	(82.5)
–	–	**–**	–	**–**	–	**–**	–	**(5.2)**	(9.9)
(9.8)	(5.2)	**(0.1)**	–	**(4.3)**	(4.4)	**(2.6)**	(2.5)	**(16.0)**	(14.1)
173.4	66.0	**72.5**	76.8	**42.2**	38.3	**51.7**	50.9	**389.0**	508.5
173.4	66.0	**72.5**	76.8	**42.2**	38.3	**51.7**	50.9	**389.0**	508.5

Property portfolio assets continued

Note 9 Investments accounted for using the equity method continued

d) Summarised financial information for individually material joint ventures continued

Summarised Statement of Financial Position
Current assets
Cash and cash equivalents
Other current assets
Total current assets
Non-current assets
Investment properties
Investments accounted for using the equity method
Loans with related parties
Other non-current assets
Total non-current assets
Current liabilities
Provision for distribution
Borrowings
Other current liabilities
Total current liabilities
Non-current liabilities
Borrowings
Other non-current liabilities
Total non-current liabilities
Net assets
Reconciliation to carrying amounts:
Opening balance at the beginning of the year
Additions
Profit for the year
Distributions received/receivable
Closing balance at the end of the year
Group's share in $m
Elimination of downstream transactions
Notional goodwill
Group's carrying amount
Summarised Statement of Comprehensive Income
Property revenue
Property revaluations
Gain on sale of investment properties
Interest income
Share of net profit of investments accounted for using the equity method
Other income
Property expenses
Finance costs
Other expenses
Net profit/(loss) for the year
Total comprehensive income/(loss) for the year

1. The Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

Dexus Industrial Trust Australia		Dexus Australian Logistics Trust		Dexus 80C Trust		Other[1]		Total	
2020 $m	2019 $m	**2020 $m**	2019 $m	**2020 $m**	2019 $m	**2020 $m**	2019 $m	**2020 $m**	2019 $m
7.2	3.2	**9.3**	26.4	**9.0**	2.9	**194.0**	16.2	**300.1**	78.8
31.9	32.0	**3.8**	3.1	**18.5**	35.0	**6.3**	3.8	**161.3**	236.4
39.1	35.2	**13.1**	29.5	**27.5**	37.9	**200.3**	20.0	**461.4**	315.2
403.6	375.9	**912.0**	876.5	**1,352.5**	1,211.6	**1,725.6**	762.8	**14,717.1**	12,816.6
–	–	**–**	–	**–**	–	**0.1**	–	**591.7**	566.8
–	–	**–**	–	**–**	–	**0.3**	–	**0.3**	–
–	(0.1)	**0.6**	0.4	**–**	–	**5.0**	37.4	**55.1**	82.8
403.6	375.8	**912.6**	876.9	**1,352.5**	1,211.6	**1,731.0**	800.2	**15,364.2**	13,466.2
4.2	3.2	**7.6**	22.4	**4.0**	7.6	**6.6**	1.2	**87.2**	88.7
–		**–**	–	**234.0**	–	**0.6**	–	**234.7**	149.3
1.7	2.9	**6.1**	7.3	**35.2**	27.8	**41.2**	39.9	**206.1**	198.4
5.9	6.1	**13.7**	29.7	**273.2**	35.4	**48.4**	41.1	**528.0**	436.4
–	–	**–**	–	**–**	–	**151.8**	172.4	**174.3**	195.0
–	–	**–**	–	**–**	49.5	**25.6**	38.6	**25.6**	88.1
–	–	**–**	–	**–**	49.5	**177.4**	211.0	**199.9**	283.1
436.8	404.9	**912.0**	876.7	**1,106.8**	1,164.6	**1,705.5**	568.1	**15,097.7**	13,061.9
404.9	344.6	**876.7**	–	**1,164.6**	–	**568.1**	381.8	**13,061.9**	9,280.3
7.0	16.7	**–**	812.8	**–**	1,169.2	**1,113.7**	136.0	**1,625.3**	3,242.1
40.7	83.0	**74.4**	86.2	**(6.3)**	3.0	**48.5**	64.0	**999.2**	1,072.7
(15.8)	(39.4)	**(39.1)**	(22.3)	**(51.5)**	(7.6)	**(24.8)**	(13.7)	**(588.7)**	(533.2)
436.8	404.9	**912.0**	876.7	**1,106.8**	1,164.6	**1,705.5**	568.1	**15,097.7**	13,061.9
218.4	202.4	**465.1**	657.5	**830.1**	873.4	**481.6**	237.6	**7,284.2**	6,819.2
–	–	**–**	–	**–**	–	**–**	12.0	**–**	4.5
–	–	**–**	–	**–**	–	**3.2**	–	**3.2**	–
218.4	202.4	**465.1**	657.5	**830.1**	873.4	**484.8**	249.6	**7,287.4**	6,823.7
23.6	19.8	**60.8**	35.9	**28.1**	3.5	**42.8**	18.9	**761.2**	648.3
22.7	67.7	**33.7**	60.8	**(19.5)**	1.2	**26.6**	57.6	**466.3**	606.5
(0.1)	–	**–**	–	**–**	–	**–**	–	**0.9**	2.7
–	0.2	**0.2**	0.1	**0.4**	–	**0.7**	0.1	**1.7**	2.5
–	–	**–**	–	**–**	–	**–**	–	**46.2**	56.1
0.1	–	**–**	–	**–**	–	**2.2**	–	**2.9**	0.1
(4.3)	(3.4)	**(16.5)**	(8.5)	**(7.9)**	(1.1)	**(13.3)**	(9.8)	**(216.8)**	(198.7)
–	–	**–**	–	**–**	–	**(5.4)**	0.3	**(10.6)**	(9.6)
(1.3)	(1.3)	**(3.8)**	(2.1)	**(7.4)**	(0.6)	**(5.1)**	(3.1)	**(52.6)**	(35.2)
40.7	83.0	**74.4**	86.2	**(6.3)**	3.0	**48.5**	64.0	**999.2**	1,072.7
40.7	83.0	**74.4**	86.2	**(6.3)**	3.0	**48.5**	64.0	**999.2**	1,072.7

Property portfolio assets continued

Note 10 Inventories

Development properties held for repositioning, construction and sale are recorded at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and holding costs such as borrowing costs, rates and taxes. Holding costs incurred after completion of development are expensed.

Development revenue includes proceeds on the sale of inventory and revenue earned through the provision of development services on assets sold as inventory. Revenue earned on the provision of development services is recognised using the percentage complete method. The stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. Where the project result can be reliably estimated, development services revenue and associated expenses are recognised in profit or loss. Where the project result cannot be reliably estimated, profits are deferred and the difference between consideration received and expenses incurred is carried forward as either a receivable or payable. Development services revenue and expenses are recognised immediately when the project result can be reliably estimated.

An assessment of whether the project result is impacted as a result of COVID-19 has been performed. There has been minimal impact on development services revenue and expenses as a result of project delays, changes in assessments related to future sales prices or changes in costs expected to be incurred to complete any projects.

Transfers from investment properties to inventories occur when there is a change in intention regarding the use of the property from an intention to hold for rental income or capital appreciation purposes to an intention to develop and sell. The transfer price is recorded as the fair value of the property as at the date of transfer. Development activities will commence immediately after they transfer.

Key estimate: Net Realisable Value (NRV) of inventories
NRV is determined using the estimated selling price in the ordinary course of business less estimated costs to bring inventories to their finished condition, including marketing and selling expenses. NRV is based on the most reliable evidence available at the time and the amount the inventories are expected to be realised. These key assumptions are reviewed annually or more frequently if indicators of impairment exist. Key estimates have been reviewed and updated in light of COVID-19. No impairment provisions have been recognised.

a) Development properties held for sale

	2020 $m	2019 $m
Current assets		
Development properties held for sale	**179.5**	170.4
Total current assets – inventories	**179.5**	170.4
Non-current assets		
Development properties held for sale	**156.3**	287.3
Total non-current assets – inventories	**156.3**	287.3
Total assets – inventories	**335.8**	457.7

b) Reconciliation

	Note	2020 $m	2019 $m
Opening balance at the beginning of the year		**457.7**	544.7
Transfer to investment properties	8	**–**	(104.2)
Disposals		**(173.6)**	(40.3)
Additions		**51.7**	57.5
Closing balance at the end of the year		**335.8**	457.7

Disposals

On 16 September 2019, settlement occurred for the disposal of North Shore Health Hub stage 1 for gross proceeds of $52.7 million excluding transaction costs.

On 12 November 2019, settlement occurred for the disposal of a 25% interest (of which the Group originally held a 50% interest) in 201 Elizabeth Street, Sydney NSW for gross proceeds of $157.5 million excluding transaction costs.

Note 11 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable.

Non-current assets classified as held for sale are presented separately from the other assets in the Consolidated Statement of Financial Position. Non-current assets classified as held for sale relate to investment properties measured at fair value.

At 30 June 2020 the balance relates to 45 Clarence Street, Sydney NSW. At 30 June 2019, there were no assets classified as held for sale.

Capital and financial risk management and working capital

In this section

The Group's overall risk management program focuses on reducing volatility from impacts of movements in financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Note 12 *Capital and financial risk management* outlines how the Group manages its exposure to a variety of financial risks (interest rate risk, foreign currency risk, liquidity risk and credit risk) and details the various derivative financial instruments entered into by the Group.

The Board determines the appropriate capital structure of the Group, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from security holders (equity) in order to finance the Group's activities both now and in the future. This capital structure is detailed in the following notes:

- Debt: *Lease liabilities* in note 13, *Interest bearing liabilities* in note 14, and *Commitments and contingencies* in note 15;
- Equity: *Contributed equity* in note 16 and *Reserves* in note 17.

Note 18 provides a breakdown of the working capital balances held in the Consolidated Statement of Financial Position.

Note 12 Capital and financial risk management

Capital and financial risk management is carried out through a centralised treasury function which is governed by a Board approved Treasury Policy. The Group has an established governance structure which consists of the Group Management Committee and Capital Markets Committee.

The Board has appointed a Group Management Committee responsible for achieving Dexus' goals and objectives, including the prudent financial and risk management of the Group. A Capital Markets Committee has been established to advise the Group Management Committee.

The Capital Markets Committee is a management committee that is accountable to the Board. It convenes at least quarterly and conducts a review of financial risk management exposures including liquidity, funding strategies and hedging. It is also responsible for the development of financial risk management policies and funding strategies for recommendation to the Board, and the approval of treasury transactions within delegated limits and powers.

a) Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to security holders. The Group continuously monitors its capital structure and it is managed in consideration of the following factors:

- The cost of capital and the financial risks associated with each class of capital
- Gearing levels and other debt covenants
- Potential impacts on net tangible assets and security holders' equity
- Potential impacts on the Group's credit rating
- Other market factors

The Group has a stated target gearing level of 30% to 40%. The table below details the calculation of the gearing ratio in accordance with its primary financial covenant requirements.

	2020 $m	2019 $m
Total interest bearing liabilities[1]	**4,210.8**	3,648.7
Total tangible assets[2]	**16,593.1**	15,666.6
Gearing ratio	**25.4%**	23.3%
Gearing ratio (look-through)[3]	**26.3%**	24.0%

1. Total interest bearing liabilities excludes deferred borrowing costs and includes the impact of foreign currency fluctuations of cross currency swaps.
2. Total tangible assets comprise total assets less intangible assets, derivatives and deferred tax balances.
3. The look-through gearing ratio is adjusted for cash and debt in equity accounted investments and is not a financial covenant.

The Group is rated A- by Standard & Poor's (S&P) and A3 by Moody's. The Group is required to comply with certain financial covenants in respect of its interest bearing liabilities. During the 2020 and 2019 reporting periods, the Group was in compliance with all of its financial covenants.

DXFM is the Responsible Entity for the managed investment schemes (DDF, DOT, DIT and DXO) that are stapled to form the Group. DXFM has been issued with an Australian Financial Services Licence (AFSL). The licence is subject to certain capital requirements including the requirement to maintain liquidity above specified limits. DXFM must also prepare rolling cash projections over at least the next 12 months and demonstrate it will have access to sufficient financial resources to meet its liabilities that are expected to be payable over that period. Cash projections and assumptions are approved, at least quarterly, by the Board of the Responsible Entity.

DWPL, a wholly owned entity, has been issued with an AFSL as it is the Responsible Entity for Dexus Wholesale Property Fund (DWPF). Dexus Wholesale Management Limited (DWML), a wholly owned entity, has been issued with an AFSL as it is the trustee of third party managed funds. These entities are subject to the capital requirements described above. Dexus Wholesale Funds Limited (DWFL), a wholly owned entity, has been issued with an AFSL as it is the Responsible Entity for Healthcare Wholesale Property Fund (HWPF). Dexus Investment Management Limited (DIML), a wholly owned entity, has been issued with an AFSL as the Responsible Entity for Dexus Industrial Fund (DIF), a wholly owned entity. These entities are subject to the capital requirements described above.

b) Financial risk management

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group's principal financial instruments, other than derivatives, comprise cash, bank loans and capital markets issuance. The main purpose of financial instruments is to manage liquidity and hedge the Group's exposure to financial risks namely:

- Interest rate risk
- Foreign currency risk
- Liquidity risk
- Credit risk

The Group uses derivatives to reduce the Group's exposure to fluctuations in interest rates and foreign exchange rates. These derivatives create an obligation or a right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation. Derivative financial instruments that the Group may use to hedge its risks include:

- Interest rate swaps and interest rate options (together interest rate derivatives)
- Cross currency interest rate swaps and foreign exchange contracts
- Other derivative contracts

The Group does not trade in interest rate or foreign exchange related derivative instruments for speculative purposes. The Group uses different methods to measure the different types of risks to which it is exposed, including monitoring the current and forecast levels of exposure and conducting sensitivity analysis.

Capital and financial risk management and working capital continued

Note 12 Capital and financial risk management continued

b) Financial risk management continued

i) Market risk

Interest rate risk

Interest rate risk arises from interest bearing financial assets and liabilities that the Group utilises. Non-derivative interest bearing financial instruments are predominantly short term liquid assets and long term debt issued at fixed rates which expose the Group to fair value interest rate risk as the Group may pay higher interest costs than if it were at variable rates. The Group's borrowings which have a variable interest rate give rise to cash flow interest rate risk due to movements in variable interest rates.

The Group's risk management policy for interest rate risk seeks to minimise the effects of interest rate movements on its asset and liability portfolio through active management of the exposures. The policy prescribes minimum and maximum hedging amounts for the Group, which is managed on a portfolio basis.

The Group maintains a mix of offshore and local currency fixed rate and variable rate debt, as well as a mix of long term and short term debt. The Group primarily enters into interest rate derivatives and cross currency interest rate swap agreements to manage the associated interest rate risk. The Group hedges the interest rate and currency risk on its foreign currency borrowings by entering into cross currency swaps, which have the economic effect of converting foreign currency borrowings to local currency borrowings at contracted rates. The derivative contracts are recorded at fair value in the Consolidated Statement of Financial Position, using standard valuation techniques with market inputs.

As at 30 June 2020, 81% (2019: 83%) of the interest bearing liabilities of the Group were hedged. The average hedged percentage for the financial year was 79% (2019: 73%).

Interest rate derivatives require settlement of net interest receivable or payable generally each 90 or 180 days. The settlement dates coincide with the dates on which the interest is payable on the underlying debt. The receivable and payable legs on interest rate derivative contracts are settled on a net basis. The net notional amount of average fixed rate debt and interest rate derivatives in place in each year and the weighted average effective hedge rate is set out below:

	June 2021 $m	June 2022 $m	June 2023 $m	June 2024 $m	June 2025 $m
A$ fixed rate debt	2,105.0	2,042.5	1,848.3	1,653.3	1,370.0
A$ interest rate derivatives[1]	1,656.7	1,291.7	1,108.3	958.3	675.0
Combined fixed rate debt and derivatives (A$ equivalent)	3,761.7	3,334.2	2,956.6	2,611.6	2,045.0
Hedge rate (%)	1.79%	1.61%	1.63%	1.75%	1.84%

1. Amounts do not include fixed rate debt that has been swapped to floating rate debt through cross currency swaps.

Sensitivity analysis on interest expense

The table below shows the impact on the Group's net interest expense of a 50 basis point movement in market interest rates. The sensitivity on cash flow arises due to the impact that a change in interest rates will have on the Group's floating rate debt and derivative cash flows on average during the financial year. Net interest expense is only sensitive to movements in market rates to the extent that floating rate debt is not hedged.

	2020 (+/-) $m	2019 (+/-) $m
+/- 0.50% (50 basis points)	**8.0**	8.4
Total A$ equivalent	**8.0**	8.4

The movement in interest expense is proportional to the movement in interest rates.

Sensitivity analysis on fair value of interest rate derivatives

The sensitivity analysis on interest rate derivatives below shows the effect on net profit or loss of changes in the fair value of interest rate derivatives for a 50 basis point movement in short-term and long-term market interest rates. The sensitivity on fair value arises from the impact that changes in market rates will have on the valuation of the interest rate derivatives.

The fair value of interest rate derivatives is calculated as the present value of estimated future cash flows on the instruments. Although interest rate derivatives are transacted for the purpose of providing the Group with an economic hedge, the Group has elected not to apply hedge accounting to these instruments. Accordingly, gains or losses arising from changes in the fair value are reflected in the profit or loss.

	2020 (+/-) $m	2019 (+/-) $m
+/- 0.50% (50 basis points)	**22.8**	25.1
Total A$ equivalent	**22.8**	25.1

Sensitivity analysis on fair value of cross currency swaps

The sensitivity analysis on cross currency interest rate swaps below shows the effect on net profit or loss for changes in the fair value for a 50 basis point increase and decrease in market rates. The sensitivity on fair value arises from the impact that changes in short-term and long-term market rates will have on the valuation of the cross currency swaps. The sensitivity analysis excludes the impact of hedge accounted cross currency swaps.

		2020 (+/-) $m	2019 (+/-) $m
+/- 0.50% (50 basis points)	US$ (A$ equivalent)	**2.5**	2.7
Total A$ equivalent		**2.5**	2.7

Foreign currency risk

Foreign currency risk refers to the risk that the value or the cash flows arising from a financial commitment, or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group's foreign currency risk arises primarily from:

- Highly probable forecast transactions denominated in foreign currency
- Borrowings denominated in foreign currency

The objective of the Group's foreign exchange risk management policy is to ensure that movements in exchange rates have minimal adverse impact on the Group's foreign currency assets and liabilities. Refer to note 14 for the USD foreign currency exposures and management thereof via cross currency interest rate swaps.

Foreign currency assets and liabilities

Where foreign currency borrowings are used to fund Australian investments, the Group transacts cross currency swaps to reduce the risk that movements in foreign exchange rates will have an impact on security holder equity and net tangible assets.

ii) Liquidity risk

Liquidity risk is associated with ensuring that there are sufficient funds available to meet the Group's financial commitments as and when they fall due and planning for any unforeseen events which may curtail cash flows. The Group identifies and manages liquidity risk across the following categories:

- Short-term liquidity management covering the month ahead on a rolling basis with continuous monitoring of forecast and actual cash flows
- Medium-term liquidity management of liquid assets, working capital and standby facilities to cover Group cash requirements over the next 1-24 month period. The Group maintains a level of committed borrowing facilities above the forecast committed debt requirements (liquidity headroom buffer). Committed debt includes future expenditure that has been approved by the Board or Investment Committee (as required within delegated limits)
- Long-term liquidity management through ensuring an adequate spread of maturities of borrowing facilities so that refinancing risk is not concentrated in certain time periods and ensuring an adequate diversification of funding sources where possible, subject to market conditions

Capital and financial risk management and working capital continued

Note 12 Capital and financial risk management continued

b) Financial risk management continued

ii) Liquidity risk continued

Refinancing risk

Refinancing risk is the risk that the Group:

- Will be unable to refinance its debt facilities as they mature, and/or
- Will only be able to refinance its debt facilities at unfavourable interest rates and credit market conditions (margin price risk)

The Group's key risk management strategy for margin price risk on refinancing is to spread the maturities of debt facilities over different time periods to reduce the volume of facilities to be refinanced and the exposure to market conditions in any one period. An analysis of the contractual maturities of the Group's interest bearing liabilities and derivative financial instruments is shown in the table below. The amounts in the table represent undiscounted cash flows.

	2020				2019			
	Within one year $m	**Between one and two years $m**	**Between two and five years $m**	**After five years $m**	Within one year $m	Between one and two years $m	Between two and five years $m	After five years $m
Payables	**(179.8)**	**–**	**–**	**–**	(188.8)	–	–	–
Lease liabilities	**(4.8)**	**(4.2)**	**(9.8)**	**(9.2)**	–	–	–	–
Total payables and lease liabilities	**(184.6)**	**(4.2)**	**(9.8)**	**(9.2)**	(188.8)	–	–	–
Interest bearing liabilities & interest								
Fixed interest rate liabilities	**(522.5)**	**(191.6)**	**(633.4)**	**(4,104.5)**	(140.9)	(488.6)	(640.6)	(3,128.5)
Floating interest rate liabilities	**(20.9)**	**(112.9)**	**(436.9)**	**(120.3)**	(98.5)	(170.5)	(371.1)	(160.0)
Total interest bearing liabilities & interest[1]	**(543.4)**	**(304.5)**	**(1,070.3)**	**(4,224.8)**	(239.4)	(659.1)	(1,011.7)	(3,288.5)
Derivative financial liabilities								
Cash receipts	**470.8**	**86.3**	**930.0**	**1,188.3**	84.1	433.5	254.1	1,760.3
Cash payments	**(374.0)**	**(54.7)**	**(699.4)**	**(962.7)**	(54.7)	(355.2)	(203.6)	(1,594.2)
Total net derivative financial instruments[2]	**96.8**	**31.6**	**230.6**	**225.6**	29.4	78.3	50.5	166.1

1. Refer to note 14. Excludes deferred borrowing costs but includes estimated fees and interest.
2. The notional maturities on derivatives are shown for cross currency interest rate swaps (refer to interest rate risk) as they are the only instruments where a principal amount is exchanged. For interest rate derivatives, only the net interest cash flows (not the notional principal) are included. Refer to note 12(c) for fair value of derivatives. Refer to note 15(b) for financial guarantees.

iii) Credit risk

Credit risk is the risk that the counterparty will not fulfil its obligations under the terms of a financial instrument and will cause financial loss to the Group. The Group has exposure to credit risk on all financial assets included in the Group's Consolidated Statement of Financial Position.

The Group manages this risk by:

- Adopting a process for determining an approved counterparty, with consideration of qualitative factors as well as the counterparty's credit rating
- Regularly monitoring counterparty exposure within approved credit limits that are based on the lower of an S&P and Moody's credit rating. The exposure includes the current market value of in-the-money contracts and the potential exposure, which is measured with reference to credit conversion factors as per APRA guidelines
- Entering into International Swaps and Derivatives Association (ISDA) Master Agreements once a financial institution counterparty is approved
- For some trade receivables, obtaining collateral where necessary in the form of bank guarantees and tenant bonds, and
- Regularly monitoring loans and receivables on an ongoing basis

A minimum S&P rating of A– (or Moody's equivalent) is required to become or remain an approved counterparty unless otherwise approved by the Dexus Board.

The Group is exposed to credit risk on cash balances and on derivative financial instruments with financial institutions. The Group has a policy that sets limits as to the amount of credit exposure to each financial institution. New derivatives and cash transactions are limited to financial institutions that meet minimum credit rating criteria in accordance with the Group's policy requirements.

Financial instrument transactions are spread among a number of approved financial institutions within specified credit limits to minimise the Group's exposure to any one counterparty. As a result, there is no significant concentration of credit risk for financial instruments. The maximum exposure to credit risk at 30 June 2020 is the carrying amounts of financial assets recognised on the Consolidated Statement of Financial Position.

The Group is exposed to credit risk on trade receivable balances. The Group has a policy to continuously assess and monitor the credit quality of trade debtors on an ongoing basis. Given the historical profile and exposure of the trade receivables, it has been determined that no significant concentrations of credit risk exists for receivables balances. The maximum exposure to credit risk at 30 June 2020 is the carrying amounts of the trade receivables recognised on the Consolidated Statement of Financial Position.

iv) Fair value

The Group uses the following methods in the determination and disclosure of the fair value of financial instruments:

Level 1: The fair value is calculated using quoted prices in active markets.

Level 2: The fair value is determined using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable data.

All derivative financial instruments and investments in equity instruments (where the group neither controls nor has significant influence) were measured at Level 2 for the periods presented in this report. During the year, there were no transfers between Level 1, 2 and 3 fair value measurements.

Since cash, receivables and payables are short-term in nature, their fair values are not materially different from their carrying amounts. For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

Type	Maturity	**2020 Carrying Amount $m**	**2020 Fair Value $m**	2019 Carrying Amount $m	2019 Fair Value $m
USD borrowing	2021	**364.3**	**373.7**	356.2	373.9
USD borrowing	2024	**65.6**	**70.9**	64.2	66.5
USD borrowing	2025	**160.3**	**178.6**	156.9	165.5
USD borrowing	2026	**233.1**	**253.9**	228.2	232.3
USD borrowing	2027	**451.7**	**520.5**	442.0	471.2
USD borrowing	2029	**182.1**	**208.8**	178.2	185.1
USD borrowing	2030	**306.0**	**354.9**	299.4	309.9
USD borrowing	2033	**255.0**	**304.4**	249.5	257.8
MTN	2023	**162.2**	**169.2**	163.1	171.0
MTN	2026	**187.1**	**207.1**	187.4	207.6
MTN	2027	**128.9**	**144.4**	128.8	142.5
MTN	2030	**198.0**	**192.8**	–	–
MTN	2032	**500.0**	**496.4**	–	–
MTN	2039	**30.0**	**35.0**	30.0	34.9
AUD USPP	2028	**100.0**	**113.4**	100.0	118.6
AUD USPP	2030	**50.0**	**56.6**	50.0	63.7
AUD USPP	2033	**100.0**	**117.4**	100.0	135.3
AUD USPP	2039	**75.0**	**89.7**	75.0	88.1
Fixed bank debt	2022	**150.0**	**155.2**	200.0	207.2
Exchangeable note	2026	**399.1**	**425.0**	395.2	425.0

Key assumptions: fair value of derivatives and interest bearing liabilities
The fair value of derivatives and interest bearing liabilities has been determined based on observable market inputs (interest rates, exchange rates and currency basis) and applying a credit or debit value adjustment based on the current credit worthiness of counterparties and the Group.

Capital and financial risk management and working capital continued

Note 12 Capital and financial risk management continued

b) Financial risk management continued

v) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position where there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. No financial assets and liabilities are currently held under netting arrangements.

Master Netting arrangements – not currently enforceable

Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of these arrangements, where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the Consolidated Statement of Financial Position.

c) Derivative financial instruments

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to an underlying benchmark, such as interest rates, exchange rates, or asset values, and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure.

Written policies and limits are approved by the Board of Directors of the Responsible Entity, in relation to the use of financial instruments to manage financial risks. The Responsible Entity regularly reviews the Group's exposures and updates its treasury policies and procedures. The Group does not trade in interest rate or foreign exchange related derivative instruments for speculative purposes.

The Group uses derivative contracts as part of its financial and business strategy. Derivative contracts may cover interest rate, foreign currency and equity market movements but also include option contracts embedded in the Group's exchangeable note borrowings (see note 14(f)).

1. Interest rate derivative contracts – the Group uses interest rate derivative contracts to manage the risk of movements in variable interest rates on the Group's Australian dollar denominated borrowing
2. Cross currency swap contracts – the Group uses cross currency swap contracts to manage the risk of movements in interest rates and fair values of foreign currencies associated with its foreign denominated borrowings and
3. Other derivative contracts – other derivative contracts include embedded option contracts within the Group's exchangeable note borrowings (see note 14(f)) as well as equity linked derivatives that are used from time to time and expose the Group to movements in the fair value of listed equities included within the Australian REIT index as part of its strategy of investing in Australian property assets

Derivatives are measured at fair value with any changes in fair value recognised either in the Statement of Comprehensive Income, or directly in equity where hedge accounted.

At inception the Group can elect to formally designate and document the relationship between certain hedge derivative instruments and the associated hedged items, along with its risk management objectives and its strategy for undertaking various hedge transactions.

The only derivatives designated by the Group in hedge relationships are cross currency interest rate swap contracts used to hedge foreign denominated borrowings.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the financial instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. The hedging relationship is deemed effective when all of the following requirements are met:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the changes in value that result from that economic relationship and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item

The Group uses cross currency interest rate swap contracts to hedge interest rate risk and foreign exchange risk associated with foreign denominated borrowings issued by the Group. The Group designates the cross currency interest rate swap contracts as:

- Fair value hedges against changing interest rates on foreign denominated borrowings
- Cash flow hedges or fair value hedges against foreign currency exposure on foreign denominated borrowings

The foreign currency basis spread of a cross currency interest rate swap is excluded from the designation of that financial instrument as the hedging instrument. Changes in the fair value of the foreign currency basis spread of a financial instrument are accumulated in the foreign currency basis spread reserve, and are amortised to profit or loss on a rational basis over the term of the hedging relationship.

As the critical terms of the cross currency interest rate swap contracts and their corresponding hedged items match, the Group performs a qualitative assessment of effectiveness. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the cross currency interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

The Group has applied the hedge ratio of 1:1 to all hedge relationships.

Fair value hedge – cross currency swap contracts

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is attributable to a particular risk and could affect the Consolidated Statement of Comprehensive Income. Changes in the fair value of cross currency swap contracts that are designated as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the interest rates on foreign denominated borrowings, and fair value of the foreign denominated borrowings themselves.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk to a highly probable forecast transaction pertaining to an asset or liability. The effective portion of changes in the fair value of cross currency swap contracts that are designated as cash flow hedges is recognised in other comprehensive income in equity via the cash flow hedge reserve. Amounts accumulated in equity are reclassified to profit or loss in the periods when the payments associated with the underlying foreign denominated borrowings affect profit or loss. Any gain or loss related to ineffectiveness is recognised in profit or loss immediately.

Hedge accounting is discontinued when each cross currency swap contract expires, is terminated, is no longer in an effective hedge relationship, is de-designated, or the forecast underlying payments are no longer expected to occur. The fair value gain or loss of derivatives recorded in equity is recognised in profit or loss over the period that the forecast payments are recorded in profit or loss. If the forecast payments are no longer expected to occur, the cumulative gain or loss in equity is recognised in profit or loss immediately.

	2020 $m	2019 $m
Current assets		
Cross currency swap contracts	**91.9**	15.5
Total current assets – derivative financial instruments	**91.9**	15.5
Non-current assets		
Interest rate derivative contracts	**–**	0.9
Cross currency swap contracts	**604.3**	516.2
Total non-current assets – derivative financial instruments	**604.3**	517.1
Current liabilities		
Interest rate derivative contracts	**13.4**	17.8
Other derivative contracts	**–**	0.1
Total current liabilities – derivative financial instruments	**13.4**	17.9
Non-current liabilities		
Interest rate derivative contracts	**34.3**	47.8
Cross currency swap contracts	**7.0**	43.4
Other derivative contracts	**13.5**	14.4
Total non-current liabilities – derivative financial instruments	**54.8**	105.6
Net derivative financial instruments	**628.0**	409.1

The table below details a breakdown of the net fair value gain on derivatives in the Consolidated Statement of Comprehensive Income.

	2020 $m	2019 $m
Net fair value gain/(loss) of derivatives		
Cross currency swap contracts	**153.0**	125.4
Other derivative contracts	**(126.3)**	20.7
Total net fair value gain/(loss) of derivatives	**26.7**	146.1

Capital and financial risk management and working capital continued

Note 12 Capital and financial risk management continued

c) Derivative financial instruments continued

Effects of hedge accounting on the financial position and performance – Quantitative information

The following table details the notional principal amounts and remaining terms of the hedging instrument (cross currency interest rate swap) at the end of the financial year:

	Notional Amount of the Hedging Instrument $m			
	Under 1 year	1-2 years	2-5 years	Over 5 years
Foreign exchange risk and interest rate risk – Cross currency interest rate swap (hedging foreign currency debt)[1]				
Average contracted FX rate (AUD/USD)	0.8699	0.8699	0.8683	0.7898
Average contracted fixed USD rate	2.4922	2.4922	2.4874	2.3766
Average notional amount	1,304.7	1,304.7	1,261.2	423.6
Interest rate risk – Cross currency interest rate swap (hedging foreign currency debt)[1]				
Average contracted fixed USD rate	1.3906	1.3906	1.3868	1.4042
Average notional amount	1,304.7	1,304.7	1,261.2	423.6

1. Cross currency interest rate swaps totalling $1,135.0 million (notional) have been split into cash flow hedge and fair value hedge relationships.

The following tables detail information regarding the cross currency interest rate swaps designated in cash flow hedge or fair value hedge relationships at the end of the reporting period and their related hedged items.

	Cash flow hedges	Fair value hedges
	Cross currency interest rate swaps $m	Cross currency interest rate swaps $m
Current notional principal value of the hedging instrument	1,304.7	1,304.7
Carrying amount of the hedging instrument assets/(liabilities)[1]	24.0	574.5
Cumulative change in fair value of the hedging instrument used for calculating hedge ineffectiveness	24.0	565.6
Current fair value notional amount of the hedged item	(24.0)	(1,892.1)
Cumulative change in value of the hedged item used for calculating hedge ineffectiveness	(35.8)	(587.4)
Balance in cash flow hedge reserve	(24.0)	n/a
Hedge ineffectiveness recognised in the Consolidated Statement of Comprehensive Income[2]	–	1.5

1. The carrying amount is Included in the "Derivative financial instruments" line items in the Consolidated Statement of Financial Position.
2. Included in the "Net fair value loss of derivatives" line item in the Consolidated Statement of Comprehensive Income.

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss.

Cash flow hedge reserve and foreign currency basis spread	Foreign exchange risk $m
Balance at 1 July 2019 (before tax)	13.1
Movement	
Gain/(loss) arising on changes in fair value of hedging instruments during the period	10.8
Changes in fair value of foreign currency basis spread during the period	(9.1)
Transfer out	
(Gain)/loss reclassified to profit or loss – hedged item has affected profit or loss	(4.6)
(Gain)/loss arising on changes in fair value of foreign currency basis spread during the period	4.8
Balance at 30 June 2020 (before tax)	**15.0**

Note 13 Lease liabilities

The Group has applied AASB 16 *Leases* from 1 July 2019. Refer to note 25 *Changes in accounting policies* for further information. The following table details information relating to leases where the Group is a lessee.

	Note	30 Jun 2020 $m	30 Jun 2019 $m
Current			
Lease liabilities – ground leases	(a)	**0.9**	–
Lease liabilities – other property leases	(b)	**3.9**	–
Total current liabilities – lease liabilities		**4.8**	–
Non-current			
Lease liabilities – ground leases	(a)	**8.3**	–
Lease liabilities – other property leases	(b)	**11.2**	–
Total non-current liabilities – lease liabilities		**19.5**	–
Total liabilities – lease liabilities		**24.3**	–

a) Lease liabilities – ground leases

The lease liabilities include ground leases at Parkade, 34-60 Little Collins Street, Melbourne, VIC and Waterfront Place, 1 Eagle Street, Brisbane, QLD. Refer to note 8 *Investment properties* where the corresponding leased asset is included in the total value of investment properties.

b) Lease liabilities – other property leases

The lease liabilities relating to property leases predominantly relate to Dexus offices and Dexus Place property leases. Refer to the Consolidated Statement of Financial Position for disclosure of the corresponding right-of-use asset.

Note 14 Interest bearing liabilities

Borrowings are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are capitalised to borrowings and amortised in profit or loss over the expected life of the borrowings.

If there is an effective fair value hedge of borrowings, a fair value adjustment will be applied based on the mark to market movement in the benchmark component of the borrowings. This movement is recognised in the profit or loss. Refer note 12 *Capital and financial risk management* for further detail.

All borrowings with contractual maturities greater than 12 months after reporting date are classified as non-current liabilities.

	Note	2020 $m	2019 $m
Current			
Unsecured			
Bank loans		**–**	70.0
US senior notes[1]	(a)	**364.3**	–
Total unsecured		**364.3**	70.0
Total current liabilities – interest bearing liabilities		**364.3**	70.0
Non-current			
Unsecured			
US senior notes[1]	(a), (b)	**2,217.1**	2,369.6
Bank loans	(c)	**571.0**	640.0
Commercial paper	(d)	**100.0**	100.0
Medium term notes	(e)	**1,206.2**	509.3
Exchangeable notes	(f)	**399.1**	395.2
Total unsecured		**4,493.4**	4,014.1
Deferred borrowing costs		**(19.7)**	(17.5)
Total non-current liabilities – interest bearing liabilities		**4,473.7**	3,996.6
Total interest bearing liabilities		**4,838.0**	4,066.6

1. Includes cumulative fair value adjustments amounting to $238.3 million (2019: $70.0 million) in relation to effective fair value hedges.

Capital and financial risk management and working capital continued

Note 14 Interest bearing liabilities continued

Financing arrangements

The following table summarises the maturity profile of the Group's financing arrangements:

Type of facility	Notes	Currency	Security	Maturity Date	Utilised $m	Facility Limit $m
US senior notes (144A)	(a)	US$	Unsecured	**Mar-21**	**364.3**	**364.3**
US Senior notes (USPP)[1]	(b)	US$	Unsecured	**Jul-23 to Nov-32**	**1,653.8**	**1,653.8**
US Senior notes (USPP)	(b)	A$	Unsecured	**Jun-28 to Oct-38**	**325.0**	**325.0**
Multi-option revolving credit facilities	(c)	Multi Currency	Unsecured	**Nov-21 to Apr-27**	**571.0**	**2,200.0**
Commercial paper	(d)	A$	Unsecured	**Sep-22**	**100.0**	**100.0**
Medium term notes	(e)	A$	Unsecured	**Nov-22 to Aug-38**	**1,206.2**	**1,206.2**
Exchangeable note	(f)	A$	Unsecured	**Jun-26**	**399.1**	**399.1**
Total					**4,619.4**	**6,248.4**
Bank guarantee in place					**(55.6)**	
Unused at balance date					**1,573.4**	

1. Includes drawn amounts and excludes fair value adjustments recorded in interest bearing liabilities in relation to effective fair value hedges.

Each of the Group's unsecured borrowing facilities are supported by guarantee arrangements, and have negative pledge provisions which limit the amount and type of encumbrances that the Group can have over their assets and ensures that all senior unsecured debt ranks pari passu.

a) US senior notes (144a)

This includes a total of US$250.0 million (A$364.3 million) of US senior notes with a maturity of March 2021. The USD exposure is economically hedged using cross currency interest rate swaps with a notional value of US$250.0 million.

b) US senior notes (USPP)

This includes a total of US$1,135.0 million and A$325.0 million (A$1,978.8 million) of US senior notes with a weighted average maturity of February 2029. US$1,135.0 million is designated as an accounting hedge using cross currency interest rate swaps with the same notional value.

c) Multi-option revolving credit facilities

This includes 20 facilities maturing between Nov 2021 and April 2027 with a weighted average maturity of July 2024. A$55.6 million is utilised as bank guarantees for AFSL requirements and other business requirements including developments.

d) Commercial paper

This includes a total of A$100.0 million of Commercial Paper which is supported by a standby facility of A$100.0 million with a maturity of September 2022. The standby facility has same day availability.

e) Medium term notes

This includes a total of A$1,205.0 million of Medium Term Notes with a weighted average maturity of February 2029. The remaining A$1.2 million is the net premium on the issue of these instruments.

f) Exchangeable notes

This includes Exchangeable Notes with a face value totalling $425 million. The notes are exchangeable based on the exchange price (currently $15.00 representing approximately 28.3 million securities) on the exchange date, at the election of the holder, until 19 March 2024. The holders have an option to put the notes to the issuer for face value 60 days prior but not later than 30 days after 19 March 2024. On expiration of the put option, the notes continue to be exchangeable until 10 days prior to maturity on 19 June 2026. Any securities issued on exchange will rank equally with existing securities. As at 30 June 2020, no notes have been exchanged.

Exchange price[1]	$15.00
Coupon (per annum)	2.30%
Notes on issue at 30 June 2020	4,250,000

1. The exchange price has been adjusted for any subsequent equity raises completed at greater than 5% discount to the five-day VWAP prior to the raise. The price will also be adjusted in the event of any Dexus distributions which exceed quoted thresholds in the Exchangeable Note terms and conditions.

Note 15 Commitments and contingencies

a) Commitments

Capital commitments

The following amounts represent remaining capital expenditure on investment properties and inventories as well as committed fit-out or cash incentives contracted at the end of each reporting period but not recognised as liabilities payable:

	2020 $m	2019 $m
Investment properties	**94.7**	129.6
Inventories and development management services	**62.9**	108.1
Investments accounted for using the equity method	**200.2**	276.5
Total capital commitments	**357.8**	514.2

Lease receivable commitments

The future minimum lease payments receivable by the Group are:

	2020 $m	2019 $m
Within one year	**515.9**	489.8
Later than one year but not later than five years	**1,710.5**	1,862.0
Later than five years	**522.0**	627.0
Total lease receivable commitments	**2,748.4**	2,978.8

b) Contingencies

DDF, together with DIT, DOT and DXO, is a guarantor of A$6,248.4 million of interest bearing liabilities (refer to note 14). The guarantees have been given in support of debt outstanding and drawn against these facilities and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Group has bank guarantees of $55.6 million, comprising $50.2 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and $5.4 million largely in respect of developments.

The above guarantees are issued in respect of the Group and represent an additional liability to those already existing in interest bearing liabilities on the Consolidated Statement of Financial Position.

The Directors of the Responsible Entity are not aware of any other contingent liabilities in relation to the Group, other than those disclosed in the Consolidated Financial Statements, which should be brought to the attention of security holders as at the date of completion of this report.

Outgoings are excluded from contingencies as they are expensed when incurred.

Note 16 Contributed equity

Number of securities on issue

	2020 No. of securities	2019 No. of securities
Opening balance at the beginning of the year	**1,096,857,665**	1,017,196,877
Issue of additional equity	**–**	79,660,788
Buy-back of contributed equity	**(5,655,502)**	–
Closing balance at the end of the year	**1,091,202,163**	1,096,857,665

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Group.

Each stapled security entitles the holder to vote in accordance with the provisions of the Constitutions and the *Corporations Act 2001*.

Transaction costs arising on the buy-back of equity instruments are recognised directly in equity (net of tax) as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the buy-back of those equity instruments and which would not have been incurred had those instruments not been bought back.

On 23 October 2019, Dexus announced plans to initiate an on-market securities buy-back of up to 5% of Dexus securities on issue over the next 12 months, as part of its active approach to capital management.

During the period to 30 June 2020, Dexus acquired and cancelled 5,655,502 securities representing 0.52% of Dexus securities on issue.

Capital and financial risk management and working capital continued

Note 17 Reserves

	2020 $m	2019 $m
Asset revaluation reserve	**42.7**	42.7
Cash flow hedge reserve	**24.0**	17.8
Foreign currency basis spread reserve	**(8.8)**	(4.6)
Security-based payments reserve	**9.8**	16.3
Treasury securities reserve	**(17.1)**	(18.5)
Total reserves	**50.6**	53.7
Movements:		
Asset revaluation reserve		
Opening balance at the beginning of the year	**42.7**	42.7
Closing balance at the end of the year	**42.7**	42.7
Cash flow hedge reserve		
Opening balance at the beginning of the year	**17.8**	(12.5)
Change in accounting policy adjustment (AASB 9 opening balance restatement)	**–**	29.9
Changes in the fair value of cash flow hedges	**6.2**	0.4
Closing balance at the end of the year	**24.0**	17.8
Foreign currency basis spread reserve		
Opening balance at the beginning of the period	**(4.6)**	–
Changes in cost of hedge reserve	**(4.2)**	(4.6)
Closing balance at the end of the period	**(8.8)**	(4.6)
Security-based payments reserve		
Opening balance at the beginning of the year	**16.3**	12.5
Issue of securities to employees	**(12.3)**	(4.6)
Security-based payments expense	**5.8**	8.4
Closing balance at the end of the year	**9.8**	16.3
Treasury securities reserve		
Opening balance at the beginning of the year	**(18.5)**	(15.5)
Issue of securities to employees	**12.3**	6.4
Purchase of securities	**(10.9)**	(9.4)
Closing balance at the end of the year	**(17.1)**	(18.5)

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record the fair value adjustment arising on a business combination.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated as cash flow hedges.

Foreign currency basis spread reserve

The foreign currency basis spread reserve is used to record the changes in the fair value of cross currency derivatives attributable to movements in foreign currency basis spreads, and represents a cost of hedging.

Security-based payments reserve

The security-based payments reserve is used to recognise the fair value of performance rights to be issued under the Deferred Short-Term Incentive Plans (DSTI) and the Long-Term Incentive Plans (LTI). Refer to note 22 for further details.

Treasury securities reserve

The treasury securities reserve is used to record the acquisition of securities purchased to fulfil the obligations of the Deferred Short-Term Incentive Plans (DSTI) and the Long-Term Incentive Plans (LTI). As at 30 June 2020, DXS held 1,670,920 stapled securities which includes acquisitions of 817,412 and unit vesting of 815,794 (2019: 1,580,175).

Note 18 Working capital

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

b) Receivables

Rental income and management fees are brought to account on an accruals basis. Dividends and distributions are recognised when declared and, if not received at the end of the reporting period, reflected in the Consolidated Statement of Financial Position as a receivable.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly.

A provision for expected credit losses is recognised for expected credit losses on trade and other receivables. The provision for expected credit losses is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

The calculation of expected credit losses relating to rent and other receivables requires significant judgement to assess the future uncertainty of tenants' ability to pay their debts. Expected credit losses have been estimated using a provision matrix that has been developed with reference to the Group's historical credit loss experience, general economic conditions and forecasts, assumptions around rent relief that may be provided to tenants and tenant risk factors such as size, industry exposure and the Group's understanding of the ability of tenants to pay their debts. Accordingly, expected credit losses include both the part of the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant.

In relation to distributions and fees receivables, an assessment has been performed taking into consideration the ability of the funds and mandates managed by the Group to cash settle their distributions and repay their fee receivables.

For any provisions for doubtful debts, the corresponding expense has been recorded in the Consolidated Statement of Comprehensive Income within Property expenses.

	2020 $m	2019 $m
Rent receivable[1]	**18.4**	17.3
Less: provision for expected credit loss	**(7.5)**	(0.1)
Total rent receivables	**10.9**	17.2
Distributions receivable	**38.7**	49.1
Fee receivable	**33.1**	58.5
Receivables from related entities	**40.5**	–
Other receivables	**9.0**	19.2
Total other receivables	**121.3**	126.8
Total receivables	**132.2**	144.0

1. Rent receivable includes outgoings recoveries.

Capital and financial risk management and working capital continued

Note 18 Working capital continued

b) Receivables continued

The provision for expected credit loss for rent receivables (which includes outgoings recoveries) as at 30 June 2020 was determined as follows:

$m	Sector		
30 June 2020	**Office**	**Industrial**	**Total**
0-30 days	1.7	0.7	2.4
31-60 days	1.6	0.7	2.3
61-90 days	1.3	0.6	1.9
91+ days	0.6	0.3	0.9
Total provision for expected credit loss	**5.2**	**2.3**	**7.5**

The provision for expected credit loss for distributions receivable, fees receivable and other receivables that has been recorded is minimal.

The provision for expected credit loss for rent receivables as at the reporting date reconciles to the opening loss allowances as follows:

	Trade receivables	
	2020 $m	2019 $m
Opening provision for expected credit loss	**(0.1)**	(0.1)
Increase in provision recognised in profit or loss during the year	**(7.4)**	–
Closing provision for expected credit loss	**(7.5)**	(0.1)

c) Other current assets

	2020 $m	2019 $m
Prepayments	**14.9**	15.4
Other	**13.4**	5.2
Total other current assets	**28.3**	20.6

d) Payables

	2020 $m	2019 $m
Trade creditors	**56.0**	43.5
Accruals	**8.8**	12.1
Accrued capital expenditure	**60.1**	86.1
Prepaid income	**19.0**	13.3
Accrued interest	**34.8**	30.4
Other payables	**1.1**	3.4
Total payables	**179.8**	188.8

e) Provisions

A provision is recognised when a current obligation exists as a result of a past event and it is probable that a future outflow of cash or other benefit will be required to settle the obligation.

In accordance with the Trust's Constitution, the Group distributes its distributable income to unitholders by cash or reinvestment. Distributions are provided for when they are approved by the Board of Directors and declared.

Provision for employee benefits relates to the liabilities for wages, salaries, annual leave and long service leave.

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months represent present obligations resulting from employees' services provided to the end of the reporting period. They are measured based on remuneration wage and salary rates that the Group expects to pay at the end of the reporting period including related on-costs, such as workers compensation, insurance and payroll tax.

The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows, to be made resulting from employees' services provided to the end of the reporting period.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the Australian Corporate Bond Index rates at the end of the reporting period that most closely matches the term of the maturity of the related liabilities. The provision for employee benefits also includes the employee incentives schemes which are shown separately in note 22.

	2020 $m	2019 $m
Provision for distribution	**254.3**	252.3
Provision for employee benefits	**25.5**	31.9
Total current provisions	**279.8**	284.2

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	2020 $m	2019 $m
Provision for distribution		
Opening balance at the beginning of the year	**252.3**	245.3
Additional provisions	**550.3**	529.0
Payment of distributions	**(548.3)**	(522.0)
Closing balance at the end of the year	**254.3**	252.3

A provision for distribution has been raised for the period ended 30 June 2020. This distribution is to be paid on 28 August 2020.

Other disclosures

In this section
This section includes other information that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the Corporations Regulations, but which are not considered critical in understanding the financial performance or position of the Group.

Note 19 Intangible assets

Management rights represent the asset management rights owned by Dexus Holdings Pty Limited, a wholly owned subsidiary of DXO, which entitles it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of $0.5 million (2019: $3.3 million) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 9 years. Management rights that are deemed to have an indefinite life are held at a value of $286.0 million (2019: $286.0 million).

Software is measured at cost and amortised using the straight-line method over its estimated useful life, expected to be three to five years.

	2020 $m	2019 $m
Management rights		
Opening balance at the beginning of the year	**289.4**	289.8
Impairment of management rights	**(2.6)**	–
Amortisation charge	**(0.3)**	(0.4)
Closing balance at the end of the year	**286.5**	289.4
Cost	**294.4**	294.4
Accumulated amortisation	**(5.3)**	(5.0)
Accumulated impairment	**(2.6)**	–
Total management rights	**286.5**	289.4
Goodwill		
Opening balance at the beginning of the year	**1.0**	1.1
Additions	**2.9**	–
Impairment	**(3.0)**	(0.1)
Closing balance at the end of the year	**0.9**	1.0
Cost	**5.9**	3.0
Accumulated impairment	**(5.0)**	(2.0)
Total goodwill	**0.9**	1.0
Software		
Opening balance at the beginning of the year	**31.7**	23.7
Additions	**19.2**	14.0
Amortisation charge	**(5.5)**	(6.0)
Closing balance at the end of the year	**45.4**	31.7
Cost	**67.9**	48.7
Accumulated amortisation	**(22.5)**	(17.0)
Cost – Fully amortised assets written off	**(7.5)**	(7.2)
Accumulated amortisation – Fully amortised assets written off	**7.5**	7.2
Total software	**45.4**	31.7
Total non-current intangible assets	**332.8**	322.1

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill and management rights with an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised in the Consolidated Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

During the year, management carried out a review of the recoverable amount of its management rights, including an assessment of the impacts of COVID-19. On 4 March 2020, it was announced that Dexus will cease the management of the Australian Mandate portfolio, managed on behalf of the NSW Treasury Corporation from 30 June 2020. As a result, the carrying value of the management rights related to the Australian Mandate have been written down to nil.

Cash flow forecasts related to the remaining management rights have been updated to reflect the impact of COVID-19, which have not led to a reduction in carrying amounts. The Directors and management have considered the key assumptions adopted and have not identified impairments of those carrying amounts.

The value in use has been determined using Board approved long-term forecasts in a five-year discounted cash flow model and applying a terminal value in year five. Forecasts were based on projected returns of the business in light of current market conditions.

Key assumptions: value in use of management rights

Judgement is required in determining the following key assumptions used to calculate the value in use:

- Terminal capitalisation rate range of between 10.0%-20.0% (2019: 10.0%–20.0%) was used incorporating an appropriate risk premium for a management business
- Cash flows have been discounted at 9.0% (2019: 9.0%) based on externally published weighted average cost of capital for an appropriate peer group plus an appropriate premium for risk. A 1.0% (2019 1.0%) decrease in the discount rate would increase the valuation by $25.8 million (2019: $24.0 million)
- An average growth rate of 3% (2019: 3%) has been applied to forecast cashflows

Note 20 Audit, taxation and transaction service fees

During the year, the Auditor and its related practices earned the following remuneration:

	2020 $'000	2019 $'000
Audit fees		
PwC Australia – audit and review of Financial Statements	**1,535**	1,596
PwC Australia – outgoings audits	**127**	122
PwC Australia – regulatory audit and compliance services	**261**	213
PwC Australia – sustainability assurance	**104**	90
Audit fees paid to PwC	**2,027**	2,021
Taxation fees		
Fees paid to PwC Australia and New Zealand	**–**	30
Taxation fees paid to PwC	**–**	30
Total audit and taxation fees paid to PwC	**2,027**	2,051
Transaction services fees		
Fees paid to PwC Australia in respect of the acquisition of 80 Collins St	**–**	90
Fees paid to PwC Australia – other	**132**	112
Total transaction services fees paid to PwC	**132**	202
Total audit, taxation and transaction services fees paid to PwC	**2,159**	2,253

Other disclosures continued

Note 21 Cash flow information

a) Reconciliation of cash flows from operating activities

Reconciliation of net profit after income tax to net cash inflows from operating activities:

	2020 $m	2019 $m
Net profit/(loss) for the year	**983.0**	1,281.0
Capitalised interest	**(9.5)**	(24.4)
Depreciation and amortisation	**13.2**	10.3
Amortisation of incentives and straight line income	**69.9**	62.0
Impairment of intangibles	**5.6**	–
Impairment of investments accounted for using the equity method	**12.2**	–
Loss on other assets at fair value	**2.7**	–
Net fair value (gain)/loss of investment properties	**(386.5)**	(455.4)
Share of net (profit)/loss of investments accounted for using the equity method	**(494.7)**	(535.6)
Net fair value (gain)/loss of derivatives	**(26.7)**	(146.1)
Net fair value (gain)/loss of interest rate swaps	**29.4**	34.9
Amortisation of deferred borrowing costs	**3.7**	3.9
Net (gain)/loss on sale of investment properties	**0.4**	(0.4)
Net fair value gain/(loss) of interest bearing liabilities	**168.3**	127.8
Net foreign exchange (gain)/loss	**(0.1)**	–
Distributions from investments accounted for using the equity method	**312.2**	214.8
Change in operating assets and liabilities		
(Increase)/decrease in receivables	**15.7**	(56.6)
(Increase)/decrease in prepaid expenses	**0.5**	11.3
(Increase)/decrease in inventories	**121.9**	(17.4)
(Increase)/decrease in other current assets	**(59.3)**	(1.8)
(Increase)/decrease in other non-current assets	**(8.7)**	(37.7)
Increase/(decrease) in payables	**(20.7)**	(1.7)
Increase/(decrease) in current tax liabilities	**(24.1)**	16.3
Increase/(decrease) in current liabilities	**(10.7)**	5.5
Increase/(decrease) in other non-current liabilities	**16.6**	6.7
(Increase)/decrease in deferred tax liabilities	**15.6**	(4.3)
Net cash inflow/(outflow) from operating activities	**729.9**	493.1

b) Net debt reconciliation

Reconciliation of net debt movements:

	2020 Interest bearing liabilities $m	2019 Interest bearing liabilities $m
Opening balance	**4,066.6**	3,359.8
Changes from financing cash flows		
Proceeds from borrowings	**5,244.8**	4,914.0
Repayment of borrowings	**(4,686.1)**	(4,399.8)
Non-cash changes		
Movement in deferred borrowing costs and other	**0.8**	(36.0)
The effect of changes in foreign exchange rates	**43.6**	100.8
Fair value hedge adjustment	**168.3**	127.8
Closing balance	**4,838.0**	4,066.6

Note 22 Security-based payments

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants. Awards, via the Deferred Short-Term Incentive Plans (DSTI) and Long-Term Incentive Plans (LTI), will be in the form of performance rights awarded to eligible participants which convert to DXS stapled securities for nil consideration subject to satisfying specific service and performance conditions.

For each Plan, the eligible participants will be granted performance rights, based on performance against agreed key performance indicators, as a percentage of their remuneration mix. Participants must remain in employment for the vesting period in order for the performance rights to vest. Non-market vesting conditions, including Adjusted Funds from Operations (AFFO), Return on Contributed Equity (ROCE) and employment status at vesting, are included in assumptions about the number of performance rights that are expected to vest. When performance rights vest, the Group will arrange for the allocation and delivery of the appropriate number of securities to the participant.

The fair value of performance rights granted is recognised as an employee benefit expense with a corresponding increase in the security-based payments reserve in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights granted.

Key assumptions: fair value of performance rights granted

Judgement is required in determining the fair value of performance rights granted. In accordance with AASB 2 *Share-based Payment*, fair value is determined independently using Binomial and Monte Carlo pricing models with reference to:

- The expected life of the rights
- The security price at grant date
- The expected price volatility of the underlying security
- The expected distribution yield
- The risk-free interest rate for the term of the rights and expected total security-holder returns (where applicable)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of performance rights that are expected to vest based on the non-market vesting conditions. The impact of the revised estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

a) Deferred Short Term Incentive Plan

Under the Short-Term Incentive Plan (STI) 25% of any award for certain participants will be deferred and awarded in the form of performance rights to DXS securities.

50% of the performance rights awards will vest one year after grant and 50% of the awards will vest two years after grant, subject to participants satisfying employment service conditions. In accordance with AASB 2 *Share-based Payment*, the year of employment in which participants become eligible for the DSTI, the year preceding the grant, is included in the vesting period over which the fair value of the performance rights is amortised. Consequently, 50% of the fair value of the performance rights is amortised over two years and 50% of the award is amortised over three years.

The number of performance rights granted in respect of the year ended 30 June 2020 was 239,769 (2019: 410,171) and the fair value of these performance rights is $13.10 (2019: $9.71) per performance right. The total security-based payments expense recognised during the year ended 30 June 2020 was $2,523,561 (2019: $3,395,774).

b) Long Term Incentive Plan

50% of the awards will vest three years after grant and 50% of the awards will vest four years after grant, subject to participants satisfying employment service conditions and performance hurdles. In accordance with AASB 2 *Share-based Payment,* the year of employment in which participants become eligible for the LTI, the year preceding the grant, is included in the vesting period over which the fair value of the performance rights is amortised. Consequently, 50% of the fair value of the performance rights is amortised over four years and 50% of the award is amortised over five years.

The number of performance rights granted in respect of the year ended 30 June 2020 was 443,657 (2019: 594,094). The weighted average fair value of these performance rights is $11.39 (2019: $8.18) per performance right. The total security-based payments expense recognised during the year ended 30 June 2020 was $2,229,150 (2019: $3,470,130).

Other disclosures continued

Note 23 Related parties

Responsible Entity and Investment Manager

DXH is the parent entity of DXFM, the Responsible Entity of DDF, DIT, DOT and DXO and the Trustee of DOTA and the investment manager of DOTA and DITA.

DXH is also the parent entity of DWPL and DWFL, the Responsible Entities of DWPF and HWPF respectively.

Management Fees

Under the terms of the Constitutions of the entities within the Group, the Responsible Entity and Investment Manager are entitled to receive fees in relation to the management of the Group. DXFM's parent entity, DXH, is entitled to be reimbursed for administration expenses incurred on behalf of the Group. Dexus Property Services Pty Limited (DXPS), a wholly owned subsidiary of DXH, is entitled to property management fees from the Group.

The Group received Responsible Entity and other Management Fees from the unlisted property funds managed by DXS during the financial year.

Related party transactions

Transactions between the consolidated entity and related parties were made on commercial terms and conditions. All agreements with third party funds and joint ventures are conducted on normal commercial terms and conditions.

Transactions with related parties

	2020 '000	2019 '000
Responsible Entity (investment management fees)	**64,415.5**	56,587.9
Property management fee income	**38,929.6**	36,590.9
Development services revenue (DS), Development management (DM), Project Delivery Group (PDG), capital expenditure and leasing fee income	**145,896.9**	17,654.5
Rent paid	**5,298.0**	3,012.5
Responsible Entity fees receivable at the end of each reporting year (included above)	**17,042.0**	19,224.0
Property management fees receivable at the end of each reporting year (included above)	**3,287.0**	9,505.0
DM, PDG, capital expenditure and leasing fees receivable at the end of each reporting year (included above)	**44,629.5**	10,725.2

Key management personnel compensation

	2020 '000	2019 '000
Compensation		
Short-term employee benefits	**8,278.8**	9,882.4
Post-employment benefits	**384.5**	368.6
Security-based payments	**3,675.5**	5,917.6
Total key management personnel compensation	**12,338.8**	16,168.6

Information regarding individual Directors' and Executive KMPs' remuneration is provided in the Remuneration Report on pages 62 to 86 of the Annual Report.

There have been no other transactions with key management personnel during the year.

Note 24 Parent entity disclosures

The financial information for the parent entity of Dexus Diversified Trust has been prepared on the same basis as the Consolidated Financial Statements except as set out below.

Distributions received from associates are recognised in the parent entity's Statement of Comprehensive Income, rather than being deducted from the carrying amount of these investments.

Interests held by the parent entity in controlled entities are measured at fair value through profit and loss to reduce a measurement or recognition inconsistency.

a) Summary financial information

The individual Financial Statements for the parent entity show the following aggregate amounts:

	2020 $m	2019 $m
Total current assets	**112.3**	51.6
Total assets	**6,141.6**	5,873.8
Total current liabilities – payables	**469.0**	130.7
Total liabilities	**2,693.2**	2,538.2
Equity		
Contributed equity	**2,381.4**	2,399.0
Reserves	**15.2**	13.2
Retained profits	**1,051.8**	923.4
Total equity	**3,448.4**	3,335.6
Net profit/(loss) for the year	**284.6**	315.7
Total comprehensive income/(loss) for the year	**286.6**	311.5

b) Guarantees entered into by the parent entity

Refer to note 15 for details of guarantees entered into by the parent entity.

c) Contingent liabilities

Refer to note 15 for details of the parent entity's contingent liabilities.

d) Capital commitments

The following amounts represent capital expenditure of the parent entity on investment properties contracted at the end of the reporting period but not recognised as liabilities payable:

	2020 $m	2019 $m
Investment properties	**7.4**	60.0
Total capital commitments	**7.4**	60.0

e) Going concern

The parent entity is a going concern. The Group has unutilised facilities of $1,573.4 million (2019: $921.0 million) (refer to note 14) and sufficient working capital and cash flows in order to fund all requirements arising from the net current asset deficiency of the parent entity as at 30 June 2020 of $355.1 million (2019: $79.1 million). The deficiency is largely driven by the US senior notes of $364.3 million which is due to mature in March 2021.

Other disclosures continued

Note 25 Changes in accounting policies

AASB 16 *Leases*

AASB 16 *Leases* (AASB 16) is effective for annual reporting periods beginning on or after 1 January 2019. AASB 16 was adopted by the Group on 1 July 2019. The Group has adopted AASB 16 retrospectively upon implementation of this standard, however comparatives have not been restated as permitted under the specific transition provisions in the standard. The right-of-use asset has been measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments relating to that lease recognised in the Consolidated Statement of Financial Position immediately before the date of initial application. The changes and considerations are detailed below.

Under AASB 16, as a Lessee, the Group recognises a right-of-use asset and lease liability on the Consolidated Statements of Financial Position for all material leases. Right-of-use assets that meet the definition of investment property under AASB 140 Investment Property are measured at fair value and presented within Investment property (see section on Ground Leases below). Therefore, the Group recognises the right-of-use assets in two separate ways, as investment property for ground leases and as right-of-use assets for all other leases.

In relation to leases of low value assets, such as IT equipment, small items of office furniture or short-term leases with a term of 12 months or less, the Group has elected not to recognise right-of-use assets and lease liabilities. The Group recognises the lease payments associated with these leases as an expense in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

The Group recognises a right-of-use asset and lease liability on the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for any remeasurements of the lease liability. The cost of the right-of-use asset includes:

- The amount of initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs, and
- Makegood costs

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the asset or the end of the lease term, unless they meet the definition of an investment property.

The Group tests all right-of-use assets for impairment where there is an indicator that the asset may be impaired. If an impairment exists, the carrying amount of the asset is written down to its recoverable amount as per the requirements of AASB 136 *Impairment of Assets*.

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Variable lease payments that depend on an index or rate are included in the lease liability, measured using the index or rate as at the date of transition.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The liability is remeasured when there is a change in future lease payments arising from a change in index or rate or changes in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. Interest costs and variable lease payments not included in the initial measurement of the lease liability are recognised in the Consolidated Statement of Comprehensive Income in the period to which they relate.

The Group has applied judgement to determine the lease term for contracts which include renewal and termination options. The Group's assessment considered the facts and circumstances that create an economic incentive to exercise a renewal option or not to exercise a termination option.

The Group's right-of-use assets include ground and property leases.

Ground leases

On transition to AASB 16 on 1 July 2019, a lease liability in relation to leasehold arrangements of investment properties is required to be separately disclosed in the Consolidated Statement of Financial Position. To ensure this treatment does not result in an inaccurate net position, the carrying value of investment properties has been adjusted (grossed up) so that the net of these two balances equal the fair value of the investment properties. The Group has recorded any ground leases with a peppercorn rent at their nominal amount. As at 30 June 2020, $9.2 million of lease liabilities and $9.2 million of right-of-use assets within investment property in relation to ground leases have been recognised in the Consolidated Statement of Financial Position.

Practical expedients

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of contracts entered into before the transition date which qualified as leases. The Group has therefore only applied the principles of AASB 16 to leases which were either previously identified as leases under AASB 117 *Leases* and Interpretation 4 *Determining Whether an Arrangement Contains a Lease* or new contracts entered into on or after 1 July 2019 which meets the revised lease definition as per AASB 16.

Impact on transition

Impact on Group as a lessor

The Group leases its investment property and has classified these leases as operating leases. The accounting polices applicable to the Group as a lessor are not different from those under AASB 117 *Leases*. However, the Group has applied AASB 15 *Revenue from Contracts with Customers* to allocate consideration in the contract between lease and non-lease components.

The adoption of the new AASB 16 standard has no impact on the financial reporting of the Group from a lessor perspective and therefore no adjustment is required to this effect.

Impact on Group as a lessee

On transition to AASB 16, the Group recognised $18.3 million of right-of-use assets, $9.8 million of Investment Property and $29.0 million of lease liabilities in the Consolidated Statement of Financial Position.

In measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied was 3.20%.

The difference between the operating lease commitments disclosed at 30 June 2019 discounted using the incremental borrowing rate at 1 July 2019 and the liabilities recognised at 1 July 2019 reflects:

- Adjustments as a result of different treatment of extension and termination options
- Recognition exemption for leases of low value assets, and
- Recognition exemption for leases with less than 12 months

Within the Consolidated Statement of Comprehensive Income, the Group has separately recognised a depreciation expense and interest expense, instead of an operating lease expense. During the year ended 30 June 2020, the Group recognised $0.6 million of fair value losses, $3.4 million of depreciation charges and $0.8 million of interest. No depreciation is recognised for the right-of-use assets that meet the definition of investment property.

The impact of AASB 16 is shown within "Rental guarantees, coupon income and other" in note 1 *Operating Segments*.

Note 26 Subsequent events

On 3 August 2020, settlement occurred for the acquisition of 155, 159 & 171 Edward Street, Brisbane QLD for $87.5 million excluding acquisition costs.

On 30 July 2020, Dexus exercised its put option in relation to the sale of its remaining 25% interest in 201 Elizabeth Street, Sydney for $157.5 million excluding disposal costs. Settlement is expected to occur in August 2020.

On 30 July 2020, Dexus entered into an agreement to sell the following assets to DALT at a price of $269.4 million excluding disposal costs:

- 47-53 Foundation Drive, Truganina VIC (tranche 1)
- 380 Dohertys Road, Truganina VIC (tranche 1)
- 7 Custom Place, Truganina VIC (tranche 2)
- 9 Custom Place, Truganina VIC (tranche 2)
- 58 Foundation Road, Truganina VIC (tranche 2)
- 11 Lord Street, Botany NSW (Lakes Business Park South) (50% in tranche 1 and 50% in tranche 2)

Dexus has exchanged contracts to sell the first tranche of the portfolio in October 2020 and entered into put and call option arrangements to sell the second tranche in mid-2021.

Rent relief that is expected to be given as a rent waiver for the period April to June 2020 to tenants that are not in arrears as at 30 June 2020 is estimated to total $11.8 million. This includes waivers for investment properties and investments properties held within investments accounted for using the equity method.

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of economic recovery. In accordance with AASB 110 *Events after the Reporting Date*, the Group considered whether events after the reporting period confirmed conditions that existed before the reporting date, e.g. bankruptcy of customers. Consideration was given to the macro-economic impact of lockdowns implemented in Victoria in the beginning of July 2020, and the closure of the border between Victoria and New South Wales on 7 July 2020, and the Group concluded that the amounts recognised in the consolidated financial statements and the disclosures therein are appropriate. The economic environment is subject to rapid change and updated facts and circumstances continue to be closely monitored by the Group.

Since the end of the year other than the matters disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or the Consolidated Financial Statements that has significantly or may significantly affect the operations of the Trust, the results of those operations, or state of the Trust's affairs in future financial periods.

Director's Declaration

The Directors of Dexus Funds Management Limited as Responsible Entity of Dexus Diversified Trust declare that the Consolidated Financial Statements and notes set out on pages 92 to 145:

(i) comply with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance, as represented by the results of its operations and their cash flows, for the year ended on that date.

In the Directors' opinion:

(a) the Consolidated Financial Statements and notes are in accordance with the *Corporations Act 2001*;

(b) there are reasonable grounds to believe that the Group and its consolidated entities will be able to pay their debts as and when they become due and payable; and

(c) the Group has operated in accordance with the provisions of the Constitution dated 15 August 1984 (as amended) during the year ended 30 June 2020.

The Consolidated Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

W Richard Sheppard
Chair
18 August 2020

Independent Auditor's Report

Independent auditor's report

To the stapled security holders of Dexus Diversified Trust

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Dexus Diversified Trust (the Trust) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

For the purposes of consolidation accounting, the Trust is the deemed parent entity and acquirer of Dexus Industrial Trust (DIT), Dexus Office Trust (DOT) and Dexus Operations Trust (DXO). The financial report represents the consolidated financial results of the Trust and includes the Trust and its controlled entities, DIT and its controlled entities, DOT and its controlled entities, and DXO and its controlled entities.

The Group financial report comprises:

- the Consolidated Statement of Financial Position as at 30 June 2020
- the Consolidated Statement of Comprehensive Income for the year then ended
- the Consolidated Statement of Changes in Equity for the year then ended
- the Consolidated Statement of Cash Flows for the year then ended
- the Notes to the Consolidated Financial Statements, which include a summary of significant accounting policies
- the Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Group financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence*

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

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Independent Auditor's Report continued

Standards) (the Code) that are relevant to our audit of the Group financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the Group financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Group financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Group financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall materiality of $36.4 million, which represents approximately 5% of the Group's adjusted profit before tax (Funds from Operations or FFO). • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the Group financial report as a whole. • We chose FFO because, in our view, it is the key performance measure of the Group. An explanation of what is included in FFO is outlined in Note 1, Operating segments. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit related thresholds.	• The Group is a stapled entity with operations in Australia. In a stapled group the securities of two or more entities are 'stapled' together and cannot be traded separately. In the case of the Group, the stapled entity includes the Trust, DIT, DOT and DXO and their respective controlled entities. • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • We audited each of the individual stapled entities that form the Group as well as the consolidation of the Group.	• Amongst other relevant topics, we communicated the following key audit matters to the Board Audit Committee: – Valuation of investment properties, including those investment properties in investments accounted for using the equity method – Carrying amount of inventory – Impairment of property rental receivables related to property revenue. • These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial report for the current period. The key audit matters were addressed in the context of our audit of the Group financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of investment properties, including those investment properties in investments accounted for using the equity method *(Refer to notes 2, 8 and 9)* The Group's investment property portfolio comprises: • Directly held properties included in the Consolidated Statement of Financial Position as *Investment Properties* valued at $8,215.9 million as at 30 June 2020 (2019: $8,170.0 million). • The Group's share of investment properties held through associates and joint ventures included in the Consolidated Statement of Financial Position as *Investments accounted for using the equity method* valued at $7,433.4 million as at 30 June 2020 (2019: $6,987.8 million). Investment properties are carried at fair value at reporting date using the Group's policy as described in Note 8. The valuation of investment properties is dependent on assumptions and inputs including tenant information, property age and location, expected future rental income, and prevailing market conditions. Amongst others, the capitalisation rate, discount rate, terminal yield, and net market rental are key in establishing fair value. Given the rapidly developing nature of the Coronavirus (COVID-19) pandemic and the uncertainty as to the economic impacts arising from the Government imposed restrictions, significant judgment was exercised by the Group in determining fair value. Specifically, this included judgments around the impact of COVID-19 on significant assumptions, including capitalisation rates, discount rates, the provision of rent relief to certain tenants, and overall future rental growth rates. In addition, the slowdown in activity in the property market has reduced the availability of observable market data such as comparable sales and capitalisation rates.	To assess the valuation of investment properties we performed the following procedures amongst others: • We compared the valuation methodology adopted by the Group with commonly accepted valuation approaches used for investment properties in the industry, and with the Group's stated valuation policy. • We read recent external property market reports to develop an understanding of the prevailing market conditions in which the Group invests. • For a sample of leases, we compared the rental income used in the investment property valuations to the tenancy schedules and lease agreements. • We assessed the reasonableness of the Group's leasing and rental relief assumptions on a sample basis, and agreed these assumptions to the Group's valuation models, where applicable. • We performed a risk-based assessment over the investment property portfolio to determine those properties at greater risk of being carried at amounts other than fair value. Our risk-based selection criteria included qualitative and quantitative measures and were informed by our knowledge of each property, asset class and our understanding of the current market conditions. For those properties which met our selection criteria, we performed procedures to assess the reasonableness of key assumptions used in the valuations. These procedures included, amongst others: - Met with the Group's Senior Valuation Manager and discussed the specifics of the selected individual properties including, amongst other things, any new leases signed during the year, lease expiries, capital expenditure and vacancy rates.

Independent Auditor's Report continued

Key audit matter	*How our audit addressed the key audit matter*
At each reporting period the Group determines the fair value of its investment property portfolio having regard to the Group's valuation policy which requires all properties to be externally valued by valuation experts at least once every three years. It has been the Group's practice to have such valuations performed every six months. The external valuers engaged by the Group have included a significant valuation uncertainty clause in their reports. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic. This represents a significant estimation uncertainty in relation to the valuation of investment properties. This was considered a key audit matter given: • the inherently subjective nature of investment property valuations arising from the use of assumptions in the valuation methodology • the extent of judgment involved in considering the impact of the COVID-19 pandemic • the financial significance of the balances • the importance of the valuation uncertainty to users' understanding of the Group financial report.	– Compared key assumptions such as capitalisation rate, discount rate and net market rental used in the valuations to market analysis published by industry experts, recent market transactions, and other market data points. – Considered the impact of significant valuation uncertainty clauses, specific other uncertainties and adjustments related to COVID-19 included in external valuers' reports. – Tested the mathematical accuracy of the valuation calculations. • As the Group engaged external experts to assist in the determination of the fair value of investment properties, we considered the independence, experience and competency of the Group's external experts as well as the results of their procedures. • We met with a selection of external valuation firms to develop an understanding of their processes, judgments and observations, as well as any significant valuation uncertainty clauses included in their valuation reports and how they dealt with the uncertainties arising from COVID-19 on their valuations. • We assessed the appropriateness of the Group's disclosures in the Group financial report against the requirements of Australian Accounting Standards. In particular, we considered the adequacy of the disclosures made in note 8 to the financial statements which explain that there is significant estimation uncertainty in relation to the valuation of investment properties.
Carrying amount of inventory *(Refer to note 10)* The Group develops a portfolio of office and industrial sites for future sale, which are classified as inventory. At 30 June 2020 the carrying amount of the Group's inventory was $335.8 million (2019: $457.7 million). The Group's inventories are held at the lower of the cost or net realisable value. The cost of inventory is calculated using actual acquisition costs, subsequent construction and development related costs, and interest capitalised for eligible projects.	To assess the carrying amount of inventory we performed the following procedures amongst others: • We tested that a sample of acquisition costs and costs capitalised to inventory were in accordance with the Group's policy/methodology and the requirements of Australian Accounting Standards. • Where the Group had executed a contract to sell the underlying inventory asset, we checked that the agreed sales price, net of selling costs, exceeded the carrying amount.

Key audit matter	*How our audit addressed the key audit matter*
Net realisable value is determined by using the valuation techniques referred to in the key audit matter: *Valuation of investment properties, including those properties in investments accounted for using the equity method* to determine the estimated future selling price, or using an agreed sales price where an agreement has been signed, and adjusting for the estimated cost to complete and transaction costs. We considered the carrying amount of inventory to be a key audit matter given the: • Judgments required in determining the future fair value of properties being developed for sale • Financial significance of the inventory balance in the Consolidated Statement of Financial Position • The subsequent impact to FFO from the disposal of inventory.	• For all other inventory assets, we performed net realisable value testing as follows: – Discussed with the Group, amongst other things, the life cycle of the project, key project risks, changes to project strategy, current and future estimated sales prices, construction progress and costs and any new or previous impairments, including the impact of COVID-19 and how it has been reflected in the net realisable value. – We compared estimated sales prices to market sales data for comparable properties in similar locations. This included comparing the market capitalisation rates and net market income used by the Group to calculate net realisable value to market capitalisation rates and rental rates published by external valuation experts. – Compared the carrying amount of inventory against the Group's estimate of net realisable value as at 30 June 2020. • We assessed the appropriateness of the Group's disclosures in the Group financial report against the requirements of Australian Accounting Standards.
Impairment of property rental receivables related to property revenue *(Refer to notes 2 and 18)* The Group's main revenue stream is property revenue which is derived from holding investment properties and earning rental yields over time. Property revenue is recognised on a straight-line basis over the terms of the underlying leases, with receivables being recorded for property rental revenue recognised but not yet received. In response to the COVID-19 pandemic, the Australian Government introduced *The Code of Conduct for Commercial Tenancies* for tenants that are suffering from financial stress or hardship as defined by their eligibility for the Commonwealth Governments JobKeeper program (SME tenants).	In order to assess the appropriateness of impairments for expected credit losses associated with property rental receivables, we performed the following procedures amongst others: • We performed inquiries of management to understand and evaluate key processes and controls established by the Group in response to the administration of rent relief to tenants during the COVID-19 period. • We obtained the Group's accounting papers outlining the impact of COVID-19 on the impairment of property rental receivables and assessed whether the Group's treatment was in accordance with AASB 9.

Independent Auditor's Report continued

Key audit matter	*How our audit addressed the key audit matter*
The objective of the legislation is to ensure tenants and landlords negotiate amendments to lease terms in good faith to aid the management of cashflow for SME tenants and landlords on a proportionate basis. AASB 9 *Financial Instruments* (AASB 9) requires the Group to recognise expected credit losses for all financial assets held at amortised cost, including property rental receivables and to reduce the gross carrying amount of a financial asset when the Group does not have a reasonable expectation of recovering a property rental receivable or portion thereof. Where the Group has recorded property rental receivables but is expecting to provide rent relief to the tenants to whom the receivables relate, a provision for expected credit losses is recognised against the receivable. Significant judgment is required in estimating the amount of rent relief expected to be provided by the Group. Given the extent of judgment involved in determining the Group's future expected credit losses, we considered this to be a key audit matter.	• We obtained the model developed by the Group that estimated the amount that the Group did not have a reasonable expectation of recovering from tenants and thus was provided against the property rental receivable balance. The model was also used to estimate the expected credit loss (ECL) provision of the remaining property rental receivables balance. We performed the following audit procedures, amongst others, on a sample basis: - Agreed a sample of data such as tenant property rental amounts used as inputs to the model to relevant source documentation. - Checked the mathematical accuracy of the calculations. - Assessed the methodology applied against generally accepted market practice. - Considered the Group's judgments including the reasonableness of forward-looking information incorporated into the ECL model by assessing the forecasts, assumptions and probability weighting applied in multiple economic scenarios. - Agreed the total relief expected to be provided to tenants to Board documents. • We assessed the appropriateness of the Group's disclosures in the Group financial report against the requirements of Australian Accounting Standards.

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Other information

The Directors of Dexus Funds Management Limited as Responsible Entity of the Trust, DIT, DOT and DXO (the Directors) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020 but does not include the Group financial report and our auditor's report thereon.

Our opinion on the Group financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Group financial report

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

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

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

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

A further description of our responsibilities for the audit of the Group financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Independent Auditor's Report continued

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 62 to 86 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the remuneration report complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
18 August 2020

Investor information

Dexus recognises the importance of effective communication with existing and potential institutional investors, sell-side analysts and retail investors.

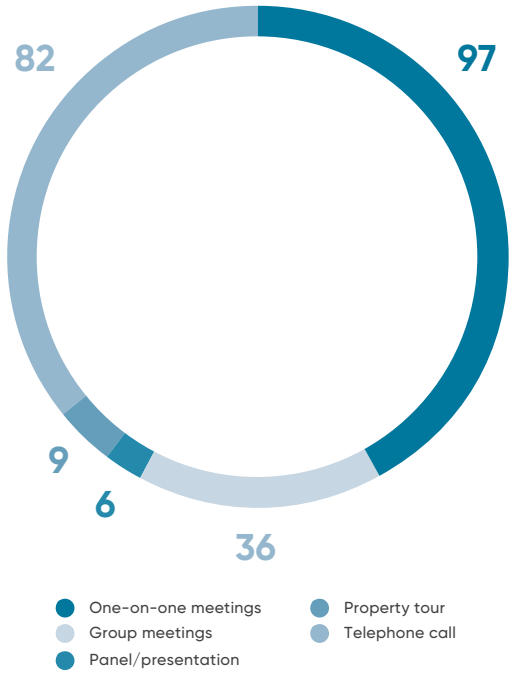
Our Executives and the Investor Relations team maintain a strong rapport with the investment community through proactive and regular engagement initiatives. We are committed to delivering high levels of transparency and disclosure by:

- Releasing accurate and relevant information to investors to ensure they can make informed investment decisions
- Providing regular access to senior management through one-on-one meetings, presentations, property tours, conferences, dedicated investor roadshows, conference calls and webcasts

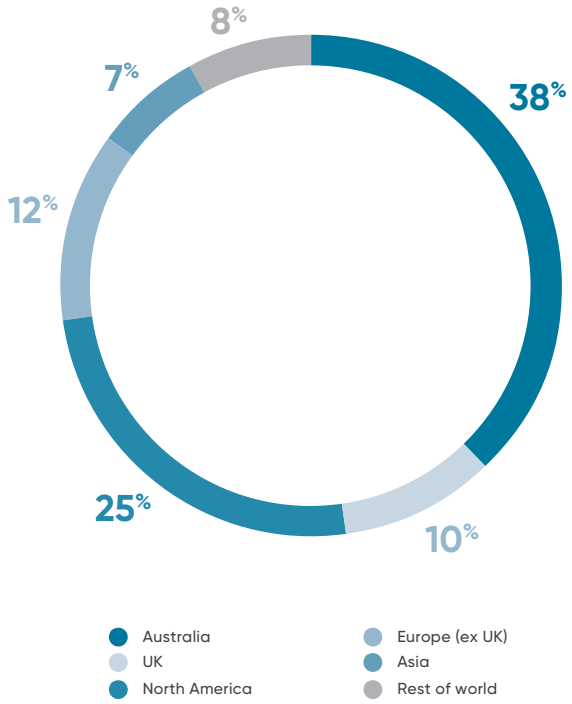
We adopt strong governance practices including a policy that ensures a minimum of two Dexus representatives participate in any institutional investor or sell-side broker meetings and that a record of the meeting is maintained on an internal customer relationship management database.

During FY20, senior management together with the Investor Relations team held 230 engagements with investor/broker groups to discuss the group's business strategy, operational and financial performance. These engagements were undertaken across a wide range of investor activities including telephone calls, conferences, roadshows, one-on-one meetings, dinners, investor briefings and roundtables.

Investor contact method (by number)



Security holders by geography



We participated in investor conferences and roadshows in Australia, London and New York. As a consequence of the onset of the COVID-19 pandemic and subsequent International travel restrictions, we also participated in a number of virtual conferences which were attended by domestic and international institutional investors.

These conferences and roadshows enabled access to potential new investors and assisted with strengthening existing relationships with long term investors.

We regularly commission independent investor perception studies to gather feedback from the institutional investment community. These studies involve independent surveys and interviews with institutional investors and sell-side brokers to measure perceptions on a number of attributes and report on the findings. The results help the Board and Executive team understand the investment community's views and concerns and assists in the enhancement of the group's Investor Relations and communications activities.

In 2019, the Australasian Investor Relations Association (AIRA) awarded Dexus first place for Best International Investors Relations by an Australasian Company and Dexus was a finalist in the Best Investor Day by an Australasian Company category at their annual awards evening.

Our Treasury team held presentations with institutional debt investors in September 2019 and February 2020. In addition, the team participated in the Property Treasurers' Round Table events facilitated by the Property Council of Australia and regularly met with banks, rating agencies and other credit investors.

Investor information continued

Annual General Meeting

In light of the COVID-19 pandemic, we will be convening our Annual General Meeting differently this year. The health and safety of our Security holders, our employees, all of their families, and the broader community, is paramount.

Dexus will be holding a fully virtual Annual General Meeting (AGM) on Friday 23 October 2020 commencing at 2.00pm.

We encourage all Security holders and proxyholders to participate in the Meeting via the online platform at www.dexus.com. To do this you will need a desktop or mobile/tablet device with internet access.

You should log onto the Meeting platform at least 15 minutes prior to the Meeting commencing. You will need to provide your details (including SRN) to be verified as a Security holder or proxyholder. From this platform you will be able to vote on the Resolutions, if you haven't done so already and ask questions

Details relating to the meeting, will be provided to all investors in the Notice of Annual General Meeting which will be despatched to Security holders electronically/and by mail in mid-September 2020.

Distribution payments

Dexus's payout policy is to distribute in line with free cash flow.

Distributions are paid for the six-month periods to 31 December and 30 June each year. Distribution statements are available in print and electronic formats and distributions are paid only by direct credit into nominated bank accounts for all Australian and New Zealand Security holders and by cheque for other international Security holders. To update the method of receiving distributions, please visit the investor login facility at www.dexus.com/update

Unclaimed distribution income

Unpresented cheques or unclaimed distribution income can be claimed by contacting the Dexus Infoline on +61 1800 819 675. For monies outstanding greater than seven years, please contact the NSW Office of State Revenue on +61 1300 366 016, 8.30am-5.00pm Monday to Friday, use their search facility at osr.nsw.gov.au/ucm or email unclaimedmoney@osr.nsw.gov.au

Annual Statement (previously the Annual Taxation Statement)

An Attribution Managed Investment Trust Member Annual Statement (AMMA) is sent to investors at the end of August each year. The statement summarises distributions provided during the financial year and includes information required to complete your tax return. AMMA statements are also available online at www.dexus.com/update

2021 Reporting calendar[1]

2020 Annual General Meeting

23 October 2020

HY21 Half year results

9 February 2021

FY21 Annual results

17 August 2021

2021 Annual General Meeting

27 October 2021

Distribution calendar[1]

Period end	31 December 2020	30 June 2021
Ex-distribution date	30 December 2020	29 June 2021
Record date	31 December 2020	30 June 2021
Payment date	26 February 2021	30 August 2021

Go electronic for convenience and speed

Did you know that you can receive all or part of your security holder communications electronically? You can change your communication preferences at any time by logging in at www.dexus.com/update or by contacting Link Market Services on +61 1800 819 675.

1. Please note that these dates are indicative and are subject to change without prior notice. Any changes in our key dates will be published on our website.

2020 Annual Reporting Suite

Dexus's 2020 Annual Reporting Suite for the year ended 30 June 2020, is available at www.dexus.com/investor-centre The reporting suite includes:

2020 Annual Report

An integrated summary of the value created across Dexus's key resources and the Consolidated Financial report.

2020 Financial Statements

The Financial Statements for Dexus Industrial Trust, Dexus Office Trust and Dexus Operations Trust, which should be read in conjunction with the 2020 Annual Report.

2020 Sustainability Report

The Sustainability Report incorporates the Sustainability Performance Pack, Sustainability Data Appendix, Sustainability Approach and Procedures, GRI Content Index and Assurance Statement, supporting the results outlined in the 2020 Annual Report.

2020 Annual Results Presentation

A summary of Dexus's operational and financial performance.

2020 Corporate Governance Statement

The Corporate Governance Statement outlines Dexus's corporate governance framework.

The 2020 Annual Reporting Suite is available in hard copy by email request to ir@dexus.com or by calling +61 1800 819 675.

Investor communications

We are committed to ensuring all investors have equal access to information. In line with our commitment to long term integration of sustainable business practices, investor communications are provided via various electronic methods including:

Dexus's website – www.dexus.com

Other investor tools available include:

Online enquiry – www.dexus.com/get-in-touch

Scroll down to the investor section to get in touch with us

Investor login – www.dexus.com/update

enables investors to update their details and download statements

Subscribe to alerts – www.dexus.com/subscribe

enables investors to receive Dexus communications immediately after release

Key dates – notifies investors on key events and reporting dates

LinkedIn – We engage with our followers on LinkedIn www.dexus.com/LinkedIn and click follow us

Making contact

If you have any questions regarding your Security holding or wish to update your personal or distribution payment details, please contact the Registry by calling the Dexus Infoline on +61 1800 819 675. This service is available from 8.30am to 5.30pm (Sydney time) on all business days. All correspondence should be addressed to:

Dexus
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Phone: +61 1800 819 675
Email: dexus@linkmarketservices.com.au

We are committed to delivering a high level of service to all investors. If you feel we could improve our service or you would like to make a suggestion or a complaint, your feedback is appreciated. Our contact details are:

Investor Relations

Dexus
PO Box R1822
Royal Exchange NSW 1225
Email: ir@dexus.com

Complaints handling process

Dexus has a complaints handling policy to ensure that all Security holders are dealt with fairly, promptly and consistently.

Any Security holder wishing to lodge a complaint, can do so verbally by calling the Dexus Infoline on +612 1800 819 675 or in writing to:

Dispute Resolutions Officer
Dexus Funds Management Limited
PO Box R1822
Royal Exchange NSW 1225
or email to ir@dexus.com

Dexus Funds Management Limited is a member of the Australian Financial Complaints Authority (AFCA), an independent dispute resolution scheme which may be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne VIC 3001
Phone: +61 1800 931 678 (free call within Australia)
Fax: +61 3 9613 6399
Email: info@afca.org.au
Website: www.afca.org.au

Additional information

Top 20 Security holders at 31 July 2020

Rank	Name	No of units	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	475,013,957	43.53
2	J P Morgan Nominees Australia Pty Limited	251,768,159	23.07
3	Citicorp Nominees Pty Limited	119,696,857	10.97
4	National Nominees Limited	41,579,468	3.81
5	BNP Paribas Nominees Pty Ltd <DRP>	31,770,353	2.91
6	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C >	31,531,863	2.89
7	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	11,849,850	1.09
8	Merrill Lynch (Australia) Nominees Pty Limited	10,178,943	0.93
9	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	3,682,918	0.34
10	Australian Executor Trustees Limited <IPS Super A/C>	2,776,304	0.25
11	HSBC Custody Nominees (Australia) Limited-GSCO ECA	2,096,359	0.19
12	Netwealth Investments Limited <Wrap Services A/C>	1,952,173	0.18
13	AMP Life Limited	1,940,758	0.18
14	Pacific Custodians Pty Limited Perf Rights Plan TST	1,670,920	0.15
15	BNP Paribas Nominees (NZ) Ltd <DRP>	1,651,852	0.15
16	Brispot Nominees Pty Ltd <House Head Nominee A/C>	1,632,620	0.15
17	One Managed Investment Funds Limited <Charter Hall Maxim Property Securities A/C>	1,500,000	0.14
18	Charter Hall Wholesale Management Ltd	1,420,000	0.13
19	Avanteos Investments Limited <Encircle IMA A/C>	1,259,056	0.12
20	Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	1,247,154	0.11
Sub total		**996,219,564**	**91.30**
Balance of register		**94,982,599**	**8.70**
Total of issued capital		**1,091,202,163**	**100.00**

Substantial holders at 31 July 2020

The names of substantial holders, at 31 July 2020 that have notified the Responsible Entity in accordance with section 671B of the Corporations Act 2001, are:

Date	Name	Number of stapled securities	% voting
12 May 2020	Blackrock Group	107,340,102	9.83
8 Apr 2019	State Street Corporation	70,998,322	6.98
21 Dec 2018	Vanguard Group	102,882,077	10.11

Note: Dexus issued capital changed from 1,096,857,665 to 1,091,202,163 between December 2019 and March 2020 as a result of purchasing DXS Securities as part of the on-market securities buy back facility that was announced to the ASX on 23 October 2019.

Class of securities

Dexus has one class of stapled security trading on the ASX with Security holders holding stapled securities at 31 July 2020.

Spread of Securities at 31 July 2020

Range	Securities	%	No. of Holders
100,000 and over	1,011,817,884	92.73	65
50,000 to 100,000	3,587,369	0.33	53
10,001 to 50,000	19,797,242	1.81	1,146
5,001 to 10,000	18,276,021	1.68	2,653
1,001 to 5,000	32,237,893	2.95	13,448
1 to 1,000	5,485,754	0.50	11,789
Total	**1,091,202,163**	**100.00**	**29,154**

At 31 July 2020, the number of security holders holding less than a marketable parcel of 59 Securities ($500) was 737 and they held a total of 15,724 securities.

Voting rights

At meetings of the security holders of Dexus Diversified Trust, Dexus Industrial Trust, Dexus Office Trust and Dexus Operations Trust, being the Trusts that comprise Dexus, on a show of hands, each Security holder of each Trust has one vote. On a poll, each Security holder of each Trust has one vote for each dollar of the value of the total interests they have in the Trust.

Securities restricted or subject to voluntary escrow

There are no stapled securities that are restricted or subject to voluntary escrow.

On-market buy-back

Dexus announced an on-market securities buy-back program on 23 October 2019 for up to 5% of DXS securities. Throughout the year, Dexus acquired 5,655,502 Securities for $62 million at an average price of $10.96 under the buy-back program.

As at the date of this report the buy-back program is still open.

Cost base apportionment

For capital gains tax purposes, the cost base apportionment details for Dexus securities for the 12 months ended 30 June 2020 are:

Date	Dexus Diversified Trust	Dexus Industrial Trust	Dexus Office Trust	Dexus Operations Trust
1 Jul 2019 to 31 Dec 2019	28.39%	8.11%	60.91%	2.59%
1 Jan 2020 to 30 Jun 2020	28.04%	7.57%	61.48%	2.91%

Historical cost base details are available at www.dexus.com

Key ASX announcements

30 July 2020	Dexus secures future trading profits while growing Dexus Australian Logistics Trust (DALT)
7 July 2020	Dexus Australian Logistics Trust acquires two quality industrial assets
24 June 2020	Resilience of property portfolio valuations at 30 June 2020
24 June 2020	Sale of 45 Clarence Street, Sydney for $530 million
23 June 2020	Towards Climate Resilience report
16 June 2020	Estimated distribution for the six months to 30 June 2020
16 June 2020	Appendix 3A Notification of distribution
4 June 2020	Settlement of JV acquisition of interest in Rialto Towers Melbourne
1 June 2020	FY20 distribution guidance update
11 May 2020	Appendix 3Y – Change of Director's Interest Notice for Patrick Allaway
5 May 2020	COVID-19 and March 2020 quarter portfolio update
5 May 2020	2020 Macquarie Australia Conference
9 April 2020	Appendix 3Y – Change of Director's Interest Notice for Mark Ford
7 April 2020	Appendix 3Y – Change of Director's Interest Notice for Nicola Roxon
6 April 2020	Dexus establishes new JV to acquire interest in Rialto Towers Melbourne
6 April 2020	Appendix 3Y – Change of Director's Interest Notice for Penny Bingham-Hall
1 April 2020	On market buy back and cancellation of securities notice
1 April 2020	Settlement of GICs additional interest in DALT
26 March 2020	COVID-19 and FY20 guidance update
17 March 2020	Appendix 3E – Daily share buy-back notice
16 March 2020	Appendix 3E – Daily share buy-back notice
4 March 2020	Transition of Australian Mandate
28 February 2020	31 December 2019 distribution payment
6 February 2020	HY20 Distribution details
6 February 2020	HY20 Appendix 4D and Financial Accounts
6 February 2020	HY20 Results release
6 February 2020	HY20 Results presentation
6 February 2020	HY20 Property synopsis
4 February 2020	Appendix 3X – Initial Director's Interest Notice for Patrick Allaway
7 January 2020	On-market buy-back and cancellation of securities notice
16 December 2019	Appendix 3E – Daily share buy-back notice
16 December 2019	Appointment of non-executive director – Patrick Allaway
13 December 2019	December 2019 distribution details
13 December 2019	Appendix 3A Notification of distribution
12 December 2019	$656 million uplift from independent valuations
14 November 2019	Appendix 3Y – Change of Director's Interest Notice for Darren Steinberg
12 November 2019	Settlement of first tranche of 201 Elizabeth Street Sydney
7 November 2019	Appendix 3Y – Change of Director's Interest Notice for Richard Sheppard
7 November 2019	Appendix 3D – Changes relating to buy-back
30 October 2019	2019 Annual General Meeting results
30 October 2019	2019 Annual General Meeting release
28 October 2019	Response to Grocon media release
23 October 2019	September 2019 quarter portfolio update
23 October 2019	Appendix 3C – Announcement of buy-back
15 October 2019	Board Investor Presentation
15 October 2019	Citi Australian and New Zealand Investor Conference
11 October 2019	Grant of ASX waiver from ASX Listing Rule 14.7
5 September 2019	2019 Notice of Annual General Meeting
17 September 2019	Appendix 3Y - Change of Director's Interest Notice for Nicola Roxon
2 September 2019	Sale of North Shore Health Hub to HWPF contributes to FY20 and FY21 trading profits
30 August 2019	London and US investor presentation
29 August 2019	30 June 2019 distribution payment
22 August 2019	Appendix 3Y – Change of Director's Interest Notice for Nicola Roxon
14 August 2019	2019 Appendix 4E as at 30 June 2019
14 August 2019	2019 Final Distribution Details
14 August 2019	2019 Annual Results Release
14 August 2019	2019 Annual Results Presentation
14 August 2019	2019 Annual Report
14 August 2019	2019 Financial Statements
14 August 2019	2019 Property Synopsis
14 August 2019	2019 Property Synopsis xls
14 August 2019	2019 Sustainability Performance Pack
14 August 2019	2019 Appendix 4G and Corporate Governance Statement
9 August 2019	Sale of 201 Elizabeth Street Sydney contributes to trading profits
9 August 2019	Appendix 3Y – Change of Director's Interest Notice for Darren Steinberg

Directory

Dexus Diversified Trust
ARSN 089 324 541

Dexus Industrial Trust
ARSN 090 879 137

Dexus Office Trust
ARSN 090 768 531

Dexus Operations Trust
ARSN 110 521 223

Responsible Entity
Dexus Funds Management Limited
ABN 24 060 920 783

AFSL 238163

Directors of the Responsible Entity
W Richard Sheppard, Chair
Patrick Allaway
Penny Bingham-Hall
John C Conde AO
Tonianne Dwyer
Mark H Ford
The Hon. Nicola Roxon
Darren J Steinberg, CEO
Peter B St George

Secretaries of the Responsible Entity
Brett Cameron
Scott Mahony

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Email: dexus@linkmarketservices.com.au
www.dexus.com

Security Registry
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Locked Bag A14
Sydney South NSW 1235
Website: linkmarketservices.com.au

Open Monday to Friday between 8.30am and 5.30pm (Sydney time). For enquiries regarding security holdings, contact the security registry, or access security holding details at www.dexus.com/investor-centre

Australian Securities Exchange
ASX Code: DXS

LinkedIn, Twitter, Facebook
Dexus now engages with its followers via LinkedIn, Twitter and Facebook

About this report

The 2020 Annual Report is a consolidated summary of Dexus's performance for the financial year ended 30 June 2020. This report should be read in conjunction with the reports that comprise the 2020 Annual Reporting Suite available from www.dexus.com/investor-centre

In this report, unless otherwise stated, references to 'Dexus' 'the group', 'we', 'us' and 'our' refer to Dexus comprising the ASX listed entity and the Funds Management business. Any reference in this report to a 'year' relates to the financial year ended 30 June 2020. All dollar figures are expressed in Australian dollars unless otherwise stated. Dexus referred to the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines to determine the report's boundaries for guidance on identifying and reporting its material issues, management approaches and reporting key performance indicators across stakeholder groups including investors, employees, customers, suppliers and the community. The 2020 Annual Reporting Suite has been prepared in accordance with the GRI Standards: Core option and nominated indicators have been externally assured. The GRI index is provided with the 2020 Sustainability Report available from www.dexus.com/investor-centre

Dexus's Funds From Operations (FFO) is in line with Property Council of Australia's definition and comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and foreign exchange (FX) mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight-line rent adjustments, deferred tax expense/benefit, rental guarantees, coupon income and distribution income net of funding costs.

Report scope

The Annual Report covers financial performance at all locations. Environmental data only includes properties under the Group's operational control as defined under the National Greenhouse and Energy Reporting System (NGER Act). All resource performance figures in this report display consumption and GHG emissions on an intensity (per square metre) basis. Absolute consumption and additional information is provided in the 2020 Sustainability Report available from www.dexus.com/investor-centre

Independent assurance

In addition to auditing Dexus's Financial Statements, PricewaterhouseCoopers (PwC) has provided limited assurance over select environmental and social data within the integrated online reporting suite covering the 12 months to 30 June 2020. The assurance statement, the GRI verification report and associated reporting criteria documents are available in the 2020 Sustainability Report.