

LEA 02	Disclosures	Monetary	Principles
<p>By providing investors the most up-to-date and relevant information on the status of our engagement activities, we aim to ensure that our investors are able to make informed decisions on their investments. We will continue to improve our engagement activities and reporting to ensure that our investors are able to make informed decisions on their investments.</p>	<p>LEA 02</p>	<p>Monetary</p>	<p>Principles PRI 1, 2, 3</p>
<p>Type of engagement</p> <p>Individual/ internal staff engagements</p> <p>Collaborative engagements</p> <p>Service provider engagements</p>	<p>Reason for interaction</p> <p>To support investment decision-making in &amp; company's interests</p> <p>To influence corporate transition for climate-related risks</p> <p>To engage in other ESG issues</p> <p>Other: specify</p> <p>We do not engage in internal staff</p> <p>To support investment decision-making in &amp; company's interests</p> <p>To influence corporate transition for climate-related risks</p> <p>Other: specify</p> <p>We do not engage in collaborative engagements</p> <p>To support investment decision-making in &amp; company's interests</p> <p>To influence corporate transition for climate-related risks</p> <p>Other: specify</p> <p>We do not engage in service provider engagements</p> <p>To support investment decision-making in &amp; company's interests</p> <p>To influence corporate transition for climate-related risks</p> <p>Other: specify</p>	<p>Individual/ internal staff engagements</p> <p>Collaborative engagements</p> <p>Service provider engagements</p>	<p>Reason for interaction</p> <p>To support investment decision-making in &amp; company's interests</p> <p>To influence corporate transition for climate-related risks</p> <p>To engage in other ESG issues</p> <p>Other: specify</p> <p>We do not engage in internal staff</p> <p>To support investment decision-making in &amp; company's interests</p> <p>To influence corporate transition for climate-related risks</p> <p>Other: specify</p> <p>We do not engage in collaborative engagements</p> <p>To support investment decision-making in &amp; company's interests</p> <p>To influence corporate transition for climate-related risks</p> <p>Other: specify</p> <p>We do not engage in service provider engagements</p> <p>To support investment decision-making in &amp; company's interests</p> <p>To influence corporate transition for climate-related risks</p> <p>Other: specify</p>

# RI TRANSPARENCY REPORT

## 2014/15

### DEXUS Property Group

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Private							✓
OO 09	Additional information about organisation	✓	Private							✓
OO 10	RI activities for listed equities	🔒	n/a							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public							✓
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Private							✓
OA 07	Governance, management structures and RI processes	✓	Private							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Private	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Private							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

Direct - Property				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
PR 01	Breakdown of investments by equity and debt	✓	Private							✓
PR 02	Breakdown of assets by management	✓	Private							✓
PR 03	Largest property types	✓	Private							✓
PR 04	Description of approach to RI	✓	Private	✓						✓
PR 05	Responsible Property Investment (RPI) policy	✓	Public	✓						✓
PR 06	Fund placement documents and RI	✓	Public	✓			✓			✓
PR 07	Formal commitments to RI	✓	Private				✓			
PR 08	Incorporating ESG issues when selecting investments	✓	Public	✓						
PR 09	ESG advice and research when selecting investments	✓	Private	✓			✓			
PR 10	Examples of ESG issues in investment selection process	✓	Public	✓		✓				
PR 11	Types of ESG information considered in investment selection	✓	Private	✓		✓				
PR 12	ESG issues impact in selection process	✓	Private	✓						
PR 13	ESG issues in selection, appointment and monitoring of third-party property managers	✓	Public				✓			
PR 14	ESG issues in post-investment activities	✓	Public		✓					
PR 15	Proportion of assets with ESG targets that were set and monitored	✓	Public		✓	✓				
PR 16	Certification schemes, ratings and benchmarks	✓	Private		✓					
PR 17	Proportion of developments and refurbishments where ESG issues were considered	✓	Public		✓					
PR 18	Proportion of property occupiers that were engaged with	✓	Public		✓					
PR 19	Proportion of green leases or MOUs referencing ESG issues	✓	Private		✓					
PR 20	Proportion of assets engaged with on community issues	✓	Private		✓					
PR 21	ESG issues affected financial/ESG performance	✓	Private	✓	✓					
PR 22	Examples of ESG issues that affected your property investments	✓	Private	✓		✓				
PR 23	Disclosure of ESG information to public and clients/beneficiaries	✓	Public							✓

# DEXUS Property Group

## Reported Information

## Public version

## Organisational Overview

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Basic Information

OO 01

Mandatory

Gateway/Peering

General

OO 01.1

Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

<10%

10-50%

>50%

Fund of funds, manager of managers, sub-advised products

Other, specify

Execution and advisory services

OO 01.2

Additional information. [Optional]

DEXUS Property Group is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With over \$17.8 billion of assets under management as at 30 June 2014, the Group also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners.

The Group manages an office portfolio of over 1.7 million square metres located predominantly across Sydney, Melbourne, Brisbane and Perth and is the largest owner of office buildings in the Sydney CBD, Australia's largest office market.

DEXUS is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (ASX) under the stock market trading code 'DXS' and is supported by more than 32,000 investors from 20 countries.

With nearly 30 years of expertise in property investment, development and asset management, the Group has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for its investors.

OO 02

Mandatory

Peering

General

OO 02.1

Select the location of your organisation's headquarters.

Australia

OO 02.2

Indicate the number of countries in which you have offices (including your headquarters).

1

2-5

6-10

>10

**OO 02.3** Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

276

**OO 02.4** Additional information. [Optional]

DEXUS manages a portfolio of office, industrial and retail properties located in core markets around Australia.

As at 30 June 2014 DEXUS employed 276 FTE property professionals across the Group. The majority of DEXUS property professionals are located in the Sydney head office, with the remainder located in the key investment markets. DEXUS also employs retail management personnel to manage centres on behalf of the Group's third party clients in regional centres on the east coast of Australia.

All relevant headcount data is taken from each year's headcount report as at 30 June 2014, produced by DEXUS's People and Culture team. Further details regarding DEXUS's employee mix can be found at: <http://crs.dexus.com/performance-pack/10/employees>.

**OO 03** **Mandatory** **Descriptive** **General**

**OO 03.1** Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

**OO 03.3** Additional information. [Optional]

DEXUS Property Group does not have any subsidiaries.

**OO 04** **Mandatory** **Gateway/Peering** **General**

**OO 04.1** Indicate the year end date for your reporting year.

30/06/2014

**OO 04.2** Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM		17	800	000	000
Currency	AUD				
Assets in USD		16	541	552	119

**OO 04.5**

Indicate the level of detail you would like to provide about your asset class mix.

- Approximate percentage breakdown to the nearest 5% (e.g. 45%)
- Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

**OO 04.6**

Additional information. [Optional]

The DEXUS portfolio comprises high quality Australian office and industrial properties in which DEXUS owns direct investments. At 30 June 2014, DEXUS owned a total of \$9.1 billion of properties concentrated in core markets across Sydney, Melbourne, Brisbane and Perth. DEXUS is one of the largest institutional owners of office buildings in the Sydney CBD, Australia's largest office market.

DEXUS partners with like-minded investors who value investment and property management expertise with best practice corporate governance principles. At 30 June 2014, the Group's third party funds management business comprised of \$8.7 billion of properties across retail, office and industrial asset classes

**OO 06**

**Mandatory**

**Descriptive**

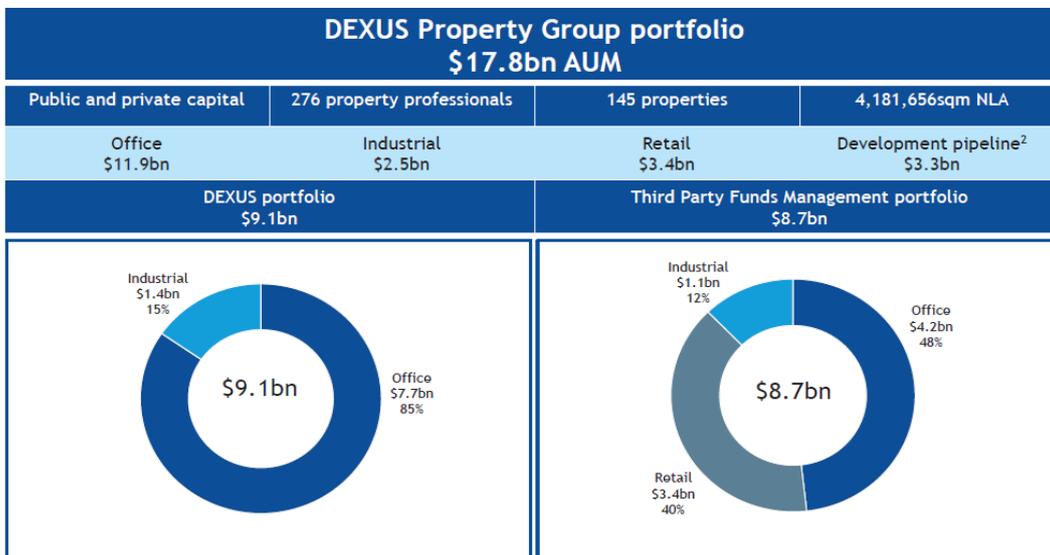
**General**

**OO 06.1**

To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as percentage breakdown
- Publish our asset class mix as broad ranges
- Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

**GROUP HIGHLIGHTS – DEXUS today<sup>1</sup>**



1. As at 30 June 2014.  
2. Including fund-through investments.

To upload the image click the Save button below

OO 06.2

Additional information. [Optional]

Through direct ownership and direct mandates DEXUS makes all asset-related investment decisions for the vast majority of funds under management. For the remaining sites, DEXUS is significantly involved in the investment decisions and monitoring of the physical property assets. DEXUS acts as a trusted advisor conducting extensive research regarding the suitability of assets, provides recommendations regarding buy-sell-hold-weight decisions, as well as acting as an active property manager for portfolio assets.

DEXUS does not appoint external investment managers to manage funds on its behalf. Rather, DEXUS partners with like-minded investors who value investment and property management expertise with best practice corporate governance principles. DEXUS manages and develops office, industrial and retail properties in Australia and New Zealand on behalf of its capital partners.

The list below provides a break up of DEXUS's assets under management.

Asset Class / FUM (AUD\$bn)

- Direct ownership Office: AUD\$7.7 bn
- Direct ownership Industrial: AUD\$1.4 bn
- 3rd party portfolio Office: AUD\$4.2 bn
- 3rd party portfolio Industrial: AUD\$1.1 bn
- 3rd party portfolio Retail: AUD\$3.4 bn

Total FUM : AUD\$17.8 bn

### Gateway asset class implementation indicators

OO 11

Mandatory

Gateway

General

OO 11.1

Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

- Property
- None of the above

OO 11.3

Additional information. [Optional]

DEXUS applies a common approach to all assets under management.

OO 12

Mandatory

Gateway

General

OO 12.1

The modules and sections that you will be required to complete are listed below.

*This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.*

#### **Core modules**

- Organisational Overview
- Overarching Approach (including assets which do not have a separate module)

**RI implementation directly or via service providers**

	Direct - Other asset classes with dedicated modules
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- Property

**Closing module**

- Closing module

# DEXUS Property Group

## Reported Information

### Public version

### Overarching Approach

## PRI disclaimer

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## Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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**OA 01.1** Indicate if you have a responsible investment policy.

- Yes  
 No

**OA 01.2** Indicate if you have other guidance documents or more specific policies related to responsible investment.

- Yes  
 No

**OA 01.3** Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

### Corporate Governance and Responsible Investment

The DEXUS Board of Directors is ultimately responsible for risk management and is responsible for setting the tone, culture and objectives of risk and compliance management at DEXUS. This includes its approach to responsible investment which is encapsulated via the following corporate governance framework, and implemented by the DEXUS Executive or Group Management Committee (GMC).

#### *Policies:*

DEXUS has developed several policies, which together form the set of requirements under which DEXUS and its employees conduct business and maintain governance. Those that relate specifically to responsible investment include:

- Director's and employee codes of conduct
- Diversity principles and diversity target
- Biodiversity policy
- Environmental statement
- Continuous disclosure
- Good faith reporting
- Risk management
- Sustainable Procurement
- Human Rights

#### *Committees:*

**Investment Committee:** DEXUS's Investment Committee is tasked with reviewing all investment, divestment and development proposals concerning DEXUS and each of its managed funds and clients.

The Investment Committee recognises its fiduciary duty to put aside personal interest in favour of client interests. This committee uses a formal process and templates to collect and evaluate a wide range of risks, opportunities and their impacts relating to investment decisions for consideration prior to approving or endorsing each investment decision.

ESG issues and their impacts are evaluated alongside other key investment metrics thereby ensuring that CR&S issues are incorporated into investment decisions. This includes reviewing long term asset plans and conducting appropriate environmental due diligence on acquisitions so that ESG risks can be identified and effectively managed.

The Investment Committee reports directly to the GMC.

**Board Risk Committee:** DEXUS's Board Risk Committee is responsible for overseeing group risk management including implementation and management of sustainability practices and initiatives throughout DEXUS, as well as overseeing ongoing disclosure of sustainability information.

The Board Risk Committee reports directly to the DEXUS Board.

**Compliance, Risk and Sustainability Committee (CR&S):** The CR&S Committee oversees compliance, risk and sustainability initiatives and reports to the Board Risk Committee.

This committee provides a direct link between business operations and corporate governance and provides the Board Risk Committee and the Board with assurance that major business risks have been identified and assessed, and effective plans are in place to address and manage the risks in accordance with the Risk Management and CR&S Frameworks.

DEXUS has based the frameworks described below on the United Nations Global Compact and the UN Guiding Principles on Business and Human Rights. In addition, DEXUS added input from the Property Council of Australia's Principles for Fair Contracting (<http://www.propertyoz.com.au/tas/library/06%20PCA%20Principles%20For%20Fair%20Contracting.pdf>).

### **Risk Management Framework**

Responsible investment involves a structured process for mitigating risks associated with ESG issues.

DEXUS has developed a comprehensive Risk Management Framework with the aim of ensuring that risks are identified and managed in a consistent, systematic, credible and timely way. Its purpose being to minimise the impact of unexpected and undesirable events and to provide the ability to consider opportunities as they arise.

DEXUS recognises that risks come from numerous sources, driven by both internal and external factors. The four main sources of risk faced by DEXUS include:

- Strategic risks
- Operational risks
- Compliance risks
- Financial risks

The Risk Management Framework identifies key DEXUS stakeholders and their role in risk management, the required process for identifying, analysing and evaluating risks, and finally risk treatment and monitoring.

This framework is built into DEXUS's daily operations in the form of accountabilities, standard operating procedures, tools and templates, management oversight, collaboration and knowledge sharing, and audit and assurance.

### **CR&S Management Framework**

DEXUS has developed a CR&S framework (<http://crs.dexus.com/>) that incorporates the UNPRI 'six principles' relating to responsible investment and active property management. This framework incorporates six key stakeholder groups, and forms the basis from which sustainability commitments and targets are formed, and how achievement is measured.

Embedded in DEXUS's CR&S framework is a commitment to maintaining the highest standards of governance and business ethics, delivered through a service excellence approach to tenants and capital partners, the development of its people, supplier partnerships and engagement within communities.

The CR&S Framework is structured around the following CR&S principles:

- Taking a holistic view of every aspect of DEXUS's operations and incorporating CR&S initiatives throughout DEXUS
- Aligning CR&S initiatives with stakeholder expectations, corporate objectives and values
- Providing transparent reporting of CR&S activities and progress
- Demonstrating leadership in CR&S by maintaining the highest standards of corporate governance, ethics, environmental and social responsibility

### **Investors**

DEXUS is focused on creating investor value by delivering operational excellence through active property, asset and development management resulting in low risk sustainable returns. DEXUS's approach to economic sustainability is based on two principles:

#### *1. Sustained financial performance*

DEXUS is committed to delivering consistently strong financial performance for its investors which, in turn, enables it to invest in initiatives that deliver improved sustainability performance.

DEXUS is a long term owner, manager and developer of property and conducts regular asset management strategy reviews to assess each property's long term value.

A consideration in the assessment of the financial sustainability of each property is that it continues to deliver against revenue targets, minimise outgoings and grow in capital value, thereby ensuring long term retention.

#### *2. Sustainability adds value*

Operating sustainably adds to the overall business by:

- Enhancing income through rental premiums being paid for sustainable building
- Reducing operations and maintenance costs
- Improving tenant comfort and amenity
- Enhancing DEXUS's business reputation
- Boosting staff morale and productivity

This long term contribution to the bottom line is achieved through appropriate and ongoing investment in sustainability and by taking a systematic approach to responsible investment.

Accordingly, DEXUS has established the following business objectives:

- To achieve high performance environmental standards in its existing property portfolio
- To develop properties that are sustainable and minimise resource consumption
- To increase stakeholder awareness of the benefits of investing in sustainability and improved building performance

These objectives guide the development of DEXUS's sustainability practices and initiatives.

### **Tenants**

As one of DEXUS's key stakeholders, tenants/customers' needs are at the forefront of DEXUS's actions. DEXUS engages with tenants in multiple ways to gain a deep understanding of their requirements and plans in order to anticipate and meet their requirements and deliver service excellence while incorporating sustainability ideals.

DEXUS's responsible investment practices include both design and operations. DEXUS considers how each investment will:

- Enhance the liveability and suitability of the building and tenant workplaces
- Mitigate future maintenance and operational costs
- Enhance retention options
- Impact the delivery of or adherence to lease obligations under any green leasing arrangements
- Improve the carbon management performance of tenants and encourage innovation

### **Suppliers**

DEXUS seeks to engage with like-minded suppliers concerning sustainability issues and practices. DEXUS's suppliers vary in size and scale, and their capacity to integrate sustainable practices into their operations also varies. As a result DEXUS takes a long term view to managing and maintaining supplier relationships.

DEXUS communicates its expectations to all suppliers and requires each one to operate in line with a Supplier Code of Conduct as well as understand DEXUS's procurement requirements and commitments outlined in its Sustainable Procurement Policy.

With each supplier engagement DEXUS seeks to ensure that investment considerations:

- Address impact on supply chains and adhere to DEXUS's Supplier Code of Conduct including materials, contractors, consultants and other professional services

- Are in line with recognised and accepted labour and employment practices where that investment results in employment or engagement of suppliers, contractors and professional service providers

### **Employees**

One of DEXUS's most significant investments is its employees. DEXUS strives to recruit and retain staff with the right combination of expertise, experience, ethics and professionalism. DEXUS believes that decision making is enhanced by diversity and seeks to maintain a socially and culturally diverse workplace that is tolerant, flexible and adaptive to the needs of the environment.

DEXUS also aims to:

- Achieve gender equality and equal opportunities
- Eliminate discrimination, harassment and bullying
- Provide a positive work culture that promotes excellence, integrity, empowerment, innovation and collaboration

### **Community**

DEXUS accepts that it has a social responsibility to invest in community issues and to incorporate community considerations into its asset investment plans. In FY14 DEXUS reaffirmed its commitment to employee volunteering across the community with organisations committed to the support and care of the homeless through providing each staff member with one day of volunteer leave. DEXUS also considers community issues in regards to investment decisions, including:

- Any community / social / media risks
- Community / employment mobility in the short and long term
- Any opportunities or threats to public infrastructure
- The impact on the disabled and opportunities to enhance social inclusion
- Have regard to appropriate stakeholder consultation and provision of service excellence in dealings with the wider business, social and residential community

### **Environment**

DEXUS's environmental strategy aims to minimise the overall impact of its operations, both in the development of new properties and in the management of existing properties.

DEXUS's active management approach involves continual monitoring of environmental performance with the aims of identifying ways to save energy and water, reduce greenhouse gas emissions, and reduce the amount of waste transported to landfill.

DEXUS sets challenging targets for environmental performance down to a property level, and challenges its Property Managers to continually improve results. DEXUS is constantly evaluating new technologies and operational practices in order to realise further performance gains, and takes a long term view in regards to investing significant capital funds to improve poor performing buildings.

Key environmental objectives include:

- Maximise energy and water performance of assets rated under the National Australian Built Environment Rating System (NABERS)
- Exceed benchmarks including GHG emissions, waste, indoor environmental quality, transport and social performance
- Identify opportunities to enhance both environmental and social performance
- Set environmental performance targets for all investments
- Comply with applicable legislation
- Assess biodiversity risks and opportunities to create a net positive benefit
- Assess the impacts of climate change and extreme weather events and address appropriate mitigation and adaptation actions

- Prepare strategic improvement plans for properties that quantify the ratings enhancement and energy saved, and the required investment

Key environmental metrics are evaluated for new and existing properties with reference to DEXUS's environmental targets and objectives. In some cases this may present an opportunity to reposition a poorly performing building, whilst in other cases an investment's failure to meet DEXUS's environmental principles may prevent an otherwise worthwhile transaction from proceeding.

OA 02	Mandatory	Core Assessed	PRI 6
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OA 02.1	Indicate if your responsible investment policy is publicly available.
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Yes

OA 02.2	Provide a URL to your responsible investment policy.
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URL	
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<http://crs.dexus.com/>

No

OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.
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Yes

Yes, all

Yes, some

OA 02.4	List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.
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Policy or document name	URL
Directors Code of Conduct	<a href="http://www.dexus.com/corporate-governance/board-policies/3">http://www.dexus.com/corporate-governance/board-policies/3</a>
Diversity Principles / Target	<a href="http://www.dexus.com/corporate-governance/board-policies/3">http://www.dexus.com/corporate-governance/board-policies/3</a>
Employee Code of Conduct	<a href="http://www.dexus.com/corporate-governance/corporate-policies/40">http://www.dexus.com/corporate-governance/corporate-policies/40</a>
Environmental Statement	<a href="http://www.dexus.com/corporate-governance/corporate-policies/40">http://www.dexus.com/corporate-governance/corporate-policies/40</a>
Board Committees Terms of Reference	<a href="http://www.dexus.com/corporate-governance/board-committees/1000">http://www.dexus.com/corporate-governance/board-committees/1000</a>
Risk Management	<a href="http://www.dexus.com/corporate-governance/corporate-policies/40">http://www.dexus.com/corporate-governance/corporate-policies/40</a>

No

**OA 02.5**

Additional information. [Optional]

DEXUS publicly discloses its governance framework on its website which is available at <http://www.dexus.com>. Within this framework DEXUS articulates its approach to responsible investment. Key public documents include:

- Public compliance and corporate policies
- DEXUS's environment statement
- Codes of Conduct for Directors and employees
- Board Committees and their terms of reference
- DEXUS's CR&S framework
- Sustainable Procurement Policy and Supplier Code of Conduct

In addition, DEXUS maintains internal documents relating to the implementation of responsible investment including policies, risk management framework documents, operations manuals, tools and checklists.

DEXUS periodically reviews its public and internal content to seek an appropriate balance between corporate disclosure and internal management practices. At present DEXUS does not plan to publish these internal governance and management documents.

**OA 03**

**Mandatory**

**Core Assessed**

**PRI 1,2**

**OA 03.1**

Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

OA 03.2

Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]

#### Guidelines for specific asset classes

DEXUS does not maintain responsible investment policies for specific asset types.

OA 03.3

Additional information. [Optional]

#### Overall Approach

DEXUS's overall approach to responsible investment is described within the following policies and committees, which form its corporate governance framework.

##### *Policies:*

DEXUS has developed several policies, which together form the set of requirements under which DEXUS and its employees conduct business and maintain governance. Those that relate specifically to responsible investment include:

- Director's and employee codes of conduct
- Diversity principles and diversity target
- Biodiversity policy
- Environmental statement
- Continuous disclosure
- Good faith reporting
- Risk management
- Sustainable Procurement
- Human Rights

##### *Committees:*

**Investment Committee:** DEXUS's Investment Committee is tasked with reviewing all investment, divestment and development proposals concerning DEXUS and each of its managed funds and clients.

The Investment Committee recognises its fiduciary duty to put aside personal interest in favour of client interests. This committee uses a formal process and templates to collect and evaluate a wide range of risks, opportunities and their impacts relating to investment decisions for consideration prior to approving or endorsing each investment decision.

ESG issues and their impacts are evaluated alongside other key investment metrics thereby ensuring that CR&S issues are incorporated into investment decisions. This includes reviewing long term asset plans and conducting appropriate environmental due diligence on acquisitions so that ESG risks can be identified and effectively managed.

The Investment Committee reports directly to the GMC.

**Board Risk Committee:** DEXUS's Board Risk Committee is responsible for overseeing group risk management including implementation and management of sustainability practices and initiatives throughout DEXUS, as well as overseeing ongoing disclosure of sustainability information.

The Board Risk Committee reports directly to the DEXUS Board.

**Compliance, Risk and Sustainability Committee (CR&S):** The CR&S Committee oversees compliance, risk and sustainability initiatives and reports to the Board Risk Committee.

This committee provides a direct link between business operations and corporate governance and provides the Board Risk Committee and the Board with assurance that major business risks have been identified and assessed, and effective plans are in place to address and manage the risks in accordance with the Risk Management and CR&S Frameworks.

Further information regarding DEXUS's corporate governance can be found on its website at: <http://www.dexus.com/about-us/2/corporate-governance> and within the DEXUS 2014 Annual Review, pages 70 to 75, which can be found at: <http://www.dexus.com/upload/asxannouncements/2014%2008%2029%202014%20Annual%20reporting%20suite.pdf>

### **Proxy Voting**

DEXUS's strategy focuses on direct property investment and active management and as a result there is no historical basis for exercising voting rights.

### **Engagement and active ownership - CR&S Management Framework**

DEXUS has developed a CR&S framework that incorporates the UNPRI 'six principles' relating to responsible investment and active property management. This framework forms the basis from which sustainability commitments and targets are formed, and how achievement is measured.

Embedded in DEXUS's CR&S framework is a commitment to maintaining the highest standards of governance and business ethics, delivered through a service excellence approach to tenants and capital partners, the development of its people, supplier partnerships and engagement within communities.

The CR&S Framework is structured around the following CR&S principles:

- Taking a holistic view of every aspect of DEXUS's operations and incorporating CR&S initiatives throughout DEXUS
- Aligning CR&S initiatives with stakeholder expectations, corporate objectives and values
- Providing transparent reporting of CR&S activities and progress
- Demonstrating leadership in CR&S by maintaining the highest standards of corporate governance, ethics, environmental and social responsibility

Please refer to the DEXUS website (<http://crs.dexus.com/>) for further information regarding the CR&S framework, commitments and achievements.

### **Guidelines on corporate governance - Risk Management Framework**

Responsible investment involves a structured process for mitigating risks associated with ESG issues.

DEXUS has developed a comprehensive Risk Management Framework with the aim of ensuring that risks are identified and managed in a consistent, systematic, credible and timely way. Its purpose being to minimise the impact of unexpected and undesirable events and to provide the ability to consider opportunities as they arise.

The Risk Management Framework identifies key DEXUS stakeholders and their role in risk management, the required process for identifying, analysing and evaluating risks, and finally risk treatment and monitoring.

This framework is built into DEXUS's daily operations in the form of accountabilities, standard operating procedures, tools and templates, management oversight, collaboration and knowledge sharing, and audit and assurance.

A Risk Management Framework guidance document provides instructions to all staff in regards to understanding risks, identifying, analysing and evaluating them, as well as each staff member's responsibilities. All staff receive induction training that includes review and assessment of this guide.

### **Guidelines on social issues**

DEXUS invests responsibly in its people and takes great pride in providing a safe, flexible and enjoyable work environment. Staff are guided on social issues within a number of DEXUS policies, including:

- Employee Code of Conduct
- Human Rights Policy
- Diversity Principles
- Press and Media Policy
- Work, Health, Safety and Liability Policy
- Privacy Policy
- Security Trading Policy

All staff are provided with an Employee Handbook, which describes DEXUS's policies and position regarding a range of social issues, including:

- Workplace behaviour
- Health and safety
- Discrimination, harassment, bullying and victimisation
- Drugs and alcohol
- Civic duty, including jury service, army reserve training, etc.
- Community engagement and volunteering
- Counselling and employee advisory support

The DEXUS intranet provides additional guidance to staff regarding the use of policies, process workflows, escalation processes and how governance is maintained.

In particular, DEXUS is a strong advocate of managing mental health issues and supports its staff via a structured counselling and employee advisory support services, that include:

- Presentations to staff regarding mental health issues; their identification and management
- Providing staff with ongoing support via an external counselling and advisory service for employees and their families, offering professional assistance for personal or work related problems. The confidential service is provided by qualified consultants who are completely independent of DEXUS and is aimed at enhancing your wellbeing, both personally and in the workplace

DEXUS support goes beyond minimum compliance and reflects DEXUS's commitment to the well-being of its staff.

### **Screening/exclusion policy**

DEXUS applies ESG related screening and exclusion practices in two key areas:

1. **Investment Committee** - potential investments are screened as part of a rigorous due diligence process that includes environment related disqualification criteria. For example DEXUS is adverse to acquiring property with the presence of contaminated land. Should a potential investment be found to be impacted by contaminated land, determination as to whether DEXUS will acquire the site will take into consideration the extent of contamination and the cost of remediation.
2. **Sustainable Procurement** - as part of all supplier engagements, DEXUS requests that suppliers adhere to its Sustainable Procurement Policy and agree to abide by its Supplier Code of Conduct. Suppliers that cannot make this commitment are excluded from further evaluation. ESG issues are also reviewed and ranked as part of the tender evaluation process and may affect a potential supplier's ranking. Copies of DEXUS's sustainable procurement policy and code of conduct can be found at: <http://crs.dexus.com/crs-library/18/crs-policies>

OA 04	Mandatory	Core Assessed	General
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OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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Yes

OA 04.2	Describe your policy on managing potential conflicts of interest in the investment process. [Optional]
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DEXUS maintains two internal compliance policies relating to personal and corporate conflicts of interest. The purposes of these are to:

- 3.assist employees to understand what constitutes a conflict of interest
- 4.to describe the process for effectively managed conflicts

Conflicts may arise in a variety of situations, including:

- Related party dealings
- Allocating property transactions amongst clients
- Tenant conflicts
- Transfer of assets between schemes or clients
- Personal conflicts

DEXUS recognises that potential conflicts of interest may arise during the investment process, and as such these policies are referenced within DEXUS's internal 'Investment Procedures Compliance Policy', which sets out the procedures to be used to in the investment process to ensure that acquisitions are appropriate, permitted and are in accordance with the client objectives and strategies.

All conflicts whether real or potential conflicts must be reported to DEXUS's Compliance, Risk and Governance team as soon as possible to ensure necessary controls are put in place to manage the conflict effectively. Controls may include:

- 5.Ensuring the transaction is conducted at arms length
- 6.Removal of conflicted staff/team from the transaction or decision
- 7.Establishing information barriers so that staff/teams operate solely in the interests of their client

DEXUS maintains a Conflict of Interest Register. The register is designed to provide a central record of all material conflicts so that they may be identified and appropriate management processes put in place.

No

OA 04.3	Additional information. [Optional]
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As part of their annual KPIs all DEXUS staff are required to demonstrate a working knowledge of these policies.

## Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General
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**OA 05.1**

Indicate if your organisation sets objectives for its responsible investment activities.

 Yes**OA 05.2**

Indicate how frequently your organisation sets or revises objectives for responsible investment.

- At least once per year
- Less than once per year

**OA 05.3**

Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- Quarterly
- Biannually
- Annually
- Every two years or less
- It is not reviewed
- No

**OA 05.4**

Additional information. [Optional]

**Setting Objectives**

Each year DEXUS sets, reviews and updates corporate objectives within its responsible investment framework. Commitments are typically defined with respect to each of six key focus areas (i.e. investors, tenants, employees, community, suppliers and environment) and may relate to:

- Setting and achieving operational performance targets such as financial targets or building efficiency benchmarks
- Initiatives to improve collaboration or joint commitment with stakeholders such as suppliers, customers, and industry peers
- Enhancements to processes, governance mechanisms or internal efficiency
- Implementing ESG projects at specific properties within the portfolio
- Broader ambitions to make a material impact on staff, the community and/or the environment

Further information regarding DEXUS's FY14 commitments and progress can be found within the: DEXUS 2014 Annual Review, pages 22-25, which is available at <http://dexus2014.reportonline.com.au/annual-review/commitments/delivering-commitments>

Commitments are set at the close of each financial year following input from key DEXUS stakeholders.

**Reviewing Performance**

DEXUS management reviews performance against its objectives at least quarterly. During FY14 the DEXUS Board met ten times in which the following governance reporting, discussion and decision occurs:

- Chief Executive Officer's report
- Company Secretary's report
- Minutes of Board Committee meetings
- Reports on asset acquisitions, disposals and developments
- Management presentations
- Other business where Directors can raise any topical matters

During FY14 the DEXUS Board held an additional eight special meetings. 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.

### Reporting Progress

DEXUS reports on select key commitments every six months and reports comprehensively on all commitments within its Annual Review, in line with requirements to transparently monitor and report performance outlined within DEXUS's Environmental Statement.

DEXUS maintains an internal monitoring and reporting program to continually review progress against its ESG commitments. Environmental performance is under ongoing review through the following forums:

- Daily monitoring of building consumption trends by Building Managers
- Weekly sustainability team meetings involving stakeholders from DEXUS and its managing agent
- Monthly reporting of NABERS ratings activity and tracking of rolling portfolio targets
- Monthly review of energy and water billing data and investigation into adverse consumption trends
- Formal updates to the DEXUS Board (via Committees) every quarter

DEXUS measures its success in the following ways:

- Completion of commitment milestones
- Achievement of targets
- Feedback from tenants, customers and employees
- Awards and external recognition
- Inclusion to and rankings within sustainability and leadership indices

## Governance and human resources

OA 08	Mandatory	Gateway/Core Assessed	General
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OA 08.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.
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	Roles present in your organisation
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- Board members or trustees
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify  
GM Compliance, Risk and Governance

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
- External managers or service providers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other role, specify
  - Group Sustainability and Operations Manager**
    - Oversight/accountability for responsible investment
    - Implementation of responsible investment
    - No oversight/accountability or implementation responsibility for responsible investment
  - Other role, specify
    - EGM, Investor Relations, Marketing & Communications**
      - Oversight/accountability for responsible investment
      - Implementation of responsible investment
      - No oversight/accountability or implementation responsibility for responsible investment

**OA 08.3**

Additional information. [Optional]

All operations and management staff are obligated to implement responsible investment practices which are built into DEXUS's risk management and CR&S frameworks.

These staff have accountability for responsible investment as part of their personal KPIs. These KPIs relate to understanding and adhering to DEXUS policies and procedures.

The Board, its endorsed committees, CEO, and Executive General Managers have primary responsibility for oversight of responsible investment.

## Promoting responsible investment

**OA 10**

**Mandatory**

**Core Assessed**

**PRI 4,5**

**OA 10.1**

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

**Select all that apply**

Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

DEXUS is a signatory to UNPRI and reports its implementation of the six principles annually.

- Asian Corporate Governance Association
- Association for Sustainable & Responsible Investment in Asia
- Australian Council of Superannuation Investors
- CDP Climate Change

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

DEXUS is a CDP Investor Member as well as a signatory to CDP Climate Change and reports against its framework annually. DEXUS attends industry events including CDP's Awards Presentation and engages directly with CDP Australia.

- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Real Estate Sustainability Benchmark (GRESB)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

DEXUS is a GRESB Company Member, as well as being a member of GRESB's Asia-Pacific Benchmarking Committee. DEXUS is an active spokesperson for the initiative and maintains a direct working relationship with GRESB's Asia-Pacific office.

DEXUS actively contributes to property related discussions and assisted with prepared papers and joint statements.

DEXUS report its performance annually and attends results events.

- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

DEXUS is a member of the IGCC and participates in its Property Working Group. Through this working group, DEXUS actively contributes to property related discussions and assists IGCC with understanding and progressing key investor issues relating to property risk management. DEXUS provides general support for the initiative in various non-public forums.

- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify  
Green Building Council of Australia

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

The Green Building Council of Australia (GBCA) is a national, not-for-profit organisation whose key objectives are to drive the transition of the Australian property industry towards sustainability by promoting green building programs, technologies, design practices and operations as well as the integration of green building initiatives into mainstream design, construction and operation of buildings.

DEXUS is a member of the GBCA and actively supports the GBCA's aims and its Green Star building rating methodologies. DEXUS supports the GBCA as follows:

- Assisting with prepared papers and joint statements
- Acting as an active spokesperson
- Supporting to some degree in leadership and/or in preparation of documentation
- Contributing to the organisation or content of events organised by the group
- Providing general support for the initiative in various non-public forums

DEXUS rates key development projects using the Green Star design rating tools, and was a participant on the working group that developed the Green Star Performance methodology.

As part of this working group, DEXUS assists in drafting and shaping credits to become the tool's performance metrics which ensure buildings are managed to reduce greenhouse gas emissions, reduce waste to landfill, increase biodiversity, reduce water consumption and save energy in their operations.

During FY14 DEXUS commenced its work to trial the pilot version of the Green Star Performance rating tool and is seeking achieve its initial ratings under this tool in FY15.

Other collaborative organisation/initiative, specify

Property Council of Australia

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

The Property Council of Australia (PCA) is the leading advocate for Australia's \$600 billion property industry. The majority of Australia's major investors, property owners and developers - as well as the industry's professional service and trade providers - are members.

DEXUS is a corporate member of the PCA and plays a leading role in progressing group initiatives regarding advocacy, policy positions, market analysis.

DEXUS maintains extensive representation across various PCA committees including:

- Darren Steinberg, DEXUS's Chief Executive Officer is National President and chair of the PCA's Board of Directors. This group decides the organisation's strategic direction, advocacy priorities, policy positions and budgeting, in close consultation with industry
- Craig Mitchell, DEXUS's Executive Director Finance and Chief Operating Officer, is a member of the CFO Roundtable and is Chair of the PCA International Capital Markets Division. In this capacity, he is instrumental in driving the standardisation of performance reporting for real estate organisations.
- An additional 22 DEXUS staff members participating in 24 roles within committees, roundtables and working groups

Other collaborative organisation/initiative, specify

Better Building Partnerships, City of Sydney

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

DEXUS is a founding member of the Sydney-based Better Building Partnerships (BBP). The Partnership aims to develop collaborative solutions and initiatives to overcome sustainability related barriers and achieve substantial improvements in the environmental performance of their buildings.

DEXUS is part of the Leadership Group that forms the strategy for the Better Building Partnerships initiative.

DEXUS also is a member of four BBP technical working groups, each of which focuses on a specific challenge facing the commercial and public sector property industry: environment, waste, tenant engagement and benchmarking. It is through these working groups that the BBP's solutions and initiatives are implemented. DEXUS is a regular attendee and assists with developing BBP's position on a range of issues. DEXUS also acts as an active spokesperson.

Other collaborative organisation/initiative, specify

**OA 10.2** Additional information. [Optional]

DEXUS participates in and supports a number of key CR&S memberships in Australia and internationally. DEXUS regularly reviews these memberships for relevant to its business and alignment with its corporate values.

A list of current DEXUS memberships and affiliations can be found at: <http://crs.dexus.com/crs-overview/6/our-memberships-and-affiliations>.

**OA 11**

**Mandatory**

**Core Assessed**

**PRI 4**

**OA 11.1**

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

**OA 11.2**

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Other, specify

No

**OA 11.3**

Additional information. [Optional]

**Provided or supported Education**

The DEXUS Research team actively monitors market trends and communicates information to tenants, investors and the media to support responsible investment decisions and identify risks and opportunities relating to investments and their local markets.

During FY14, DEXUS held periodic briefings (or Information Sessions) for tenants and investors regarding property markets as well as presenting its forecasts at half yearly investor presentations. Tenants and investors are DEXUS's major stakeholders and it is important to keep them informed of property and leasing trends, as well as an overview of what's happening in the market.

DEXUS's General Manager, Research maintains an active involvement with the Property Council of Australia and is the Chair of the Property Investment and Finance Education Committee and a member of the National Education Committee. Through this association, DEXUS plays a leading role in developing course content, overseeing the running of courses and determining the outcomes of courses held. DEXUS is in a position to leverage its expertise and that of its staff to supply course content.

FY14 saw the commencement of the inaugural '1 Bligh Master of Architecture Final Year Prize for Sustainable Commercial Architecture' scholarship with the University of New South Wales. The scholarship was created from the €50,000 prize money awarded to the owners of 1 Bligh Street in Sydney for the prestigious International High-Rise Award in 2012. DEXUS is proud to play a role in promoting future sustainable design in Australia. For further information please refer to <http://www.be.unsw.edu.au/content/green-skyscraper-results-support-prize-sustainability>

**Transparency and Disclosure**

Craig Mitchell, DEXUS's Executive Director Finance and Chief Operating Officer, is Chair of the Property Council of Australia (PCA) International Capital Markets Division. In this capacity, he was instrumental in driving the standardisation of performance reporting for real estate organisations. The PCA's Voluntary Best Practice Guidelines for Disclosing Funds for Operations (FFO) and Adjusted Funds from Operations (AFFO) was launched in June 2013.

These ground-breaking guidelines set a voluntary framework for determining FFO and AFFO as the standard performance measures in the Australian marketplace, boosting transparency by enabling the comparability of property fund manager performance reports. These guidelines complement the audited financial accounts of Australian listed real estate organisations and give industry, investors and analysts a common language to talk about performance. The adoption of FFO and AFFO as standard voluntary performance metrics will also facilitate more meaningful comparisons with international property groups and increase the confidence of investors, analysts and government in Australia's real estate sector and attract global capital to Australian property.

More generally, DEXUS encourages better transparency and disclosure of responsible investment practices by adopting a walk-the-talk approach. DEXUS responds annually to several investor surveys and standards, publishes research papers, and formally discloses its own performance each year in accordance with the GRI framework.

**Public Speaking**

During FY14 members of the DEXUS research team spoke publicly at a number of industry events and conferences. These speaking engagements focused primarily on investment trends, market trends, and the various risk management issues, including ESG issues, associated with responsible investment and property management.

Members of DEXUS also had the opportunity to present to broader stakeholder groups on various aspects of responsible investment and property stewardship including facility management events, investor gatherings and conferences.

At these events, DEXUS staff participated in panel discussions and fielded questions incorporating financial, economic and sustainability issues.

FY14 examples include:

- Invitations to present at investor roundtable meetings hosted by organisations including Merrill Lynch. This includes a broad cross-section of investors, not just those directly associated with DEXUS
- Presentations to property services groups including Jones Lang LaSalle on topics such as transactions and strategy
- Participated in panel discussions in a variety of industry events including the Property Council of Australia, the Australian Property Institute and chambers of commerce
- Paul Wall, DEXUS's Group Sustainability and Operations Manager, presented at an industry event sponsored by the Green Building Council of Australia and the Better Building Partnership on practices to reduce waste in tenancy fit outs
- Craig Mitchell, DEXUS's Executive Director of Finance and Chief Operating Officer, was interviewed as part of the ASX Investor Series on responsible investment including DEXUS's successful acquisition of CPA

### **Research papers**

Sound investment decisions require an in-depth understanding of real estate markets and DEXUS's in-house research team is an integral part of the investment decision making process. Research tracks economic conditions and forecasts real estate market performance in all major commercial, retail and industrial property markets nationwide.

DEXUS publishes regular reports concerning market trends and risks/opportunities that may affect investment decisions. It is uncommon for property management companies to disclose their research, and DEXUS sees its willingness to keep stakeholders informed of market trends as a key point of differentiation in its approach to responsible investment.

Further information regarding DEXUS Research and copies of recent reports can be found at: [http://www.dexus.com/investor-centre/dxs/dxs\\_research.aspx](http://www.dexus.com/investor-centre/dxs/dxs_research.aspx).

# DEXUS Property Group

## Reported Information

### Public version

#### Direct - Property

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Overview

PR 05

Mandatory

Core Assessed

PRI 1-6

PR 05.1

Indicate if your organisation has a Responsible Property Investment (RPI) policy.

Yes

PR 05.2

Provide a URL if your RPI policy is publicly available. [Optional]

<http://crs.dexus.com/>

No

PR 05.3

Additional information. [Optional]

### Corporate Governance and Responsible Investment

The DEXUS Board of Directors is ultimately responsible for risk management and is responsible for setting the tone, culture and objectives of risk and compliance management at DEXUS. This includes its approach to responsible investment which is encapsulated via the following corporate governance framework, and implemented by the DEXUS Executive or Group Management Committee (GMC).

#### *Policies:*

DEXUS has developed several policies, which together form the set of requirements under which DEXUS and its employees conduct business and maintain governance. Those that relate specifically to responsible investment include:

- Director's and employee codes of conduct
- Diversity principles and diversity target
- Biodiversity policy
- Environmental statement
- Continuous disclosure
- Good faith reporting
- Risk management
- Sustainable Procurement
- Human Rights

#### *Committees:*

**Investment Committee:** DEXUS's Investment Committee is tasked with reviewing all investment, divestment and development proposals concerning DEXUS and each of its managed funds and clients.

The Investment Committee recognises its fiduciary duty to put aside personal interest in favour of client interests. This committee uses a formal process and templates to collect and evaluate a wide range of risks, opportunities and their impacts relating to investment decisions for consideration prior to approving or endorsing each investment decision.

ESG issues and their impacts are evaluated alongside other key investment metrics thereby ensuring that CR&S issues are incorporated into investment decisions. This includes reviewing long term asset plans and conducting appropriate environmental due diligence on acquisitions so that ESG risks can be identified and effectively managed.

The Investment Committee reports directly to the GMC.

**Board Risk Committee:** DEXUS's Board Risk Committee is responsible for overseeing group risk management including implementation and management of sustainability practices and initiatives throughout DEXUS, as well as overseeing ongoing disclosure of sustainability information.

The Board Risk Committee reports directly to the DEXUS Board.

**Compliance, Risk and Sustainability Committee (CR&S):** The CR&S Committee oversees compliance, risk and sustainability initiatives and reports to the Board Risk Committee.

This committee provides a direct link between business operations and corporate governance and provides the Board Risk Committee and the Board with assurance that major business risks have been identified and assessed, and effective plans are in place to address and manage the risks in accordance with the Risk Management and CR&S Frameworks.

DEXUS has based the frameworks described below on the United Nations Global Compact and the UN Guiding Principles on Business and Human Rights. In addition, DEXUS added input from the Property Council of Australia's Principles for Fair Contracting (

<http://www.propertyoz.com.au/tas/library/06%20PCA%20Principles%20For%20Fair%20Contracting.pdf>).

### **Risk Management Framework**

Responsible investment involves a structured process for mitigating risks associated with ESG issues.

DEXUS has developed a comprehensive Risk Management Framework with the aim of ensuring that risks are identified and managed in a consistent, systematic, credible and timely way. Its purpose being to minimise the impact of unexpected and undesirable events and to provide the ability to consider opportunities as they arise.

DEXUS recognises that risks come from numerous sources, driven by both internal and external factors. The four main sources of risk faced by DEXUS include:

- Strategic risks
- Operational risks
- Compliance risks
- Financial risks

The Risk Management Framework identifies key DEXUS stakeholders and their role in risk management, the required process for identifying, analysing and evaluating risks, and finally risk treatment and monitoring.

This framework is built into DEXUS's daily operations in the form of accountabilities, standard operating procedures, tools and templates, management oversight, collaboration and knowledge sharing, and audit and assurance.

### **CR&S Management Framework**

DEXUS has developed a CR&S framework (<http://crs.dexus.com/>) that incorporates the UNPRI 'six principles' relating to responsible investment and active property management. This framework incorporates six key stakeholder groups, and forms the basis from which sustainability commitments and targets are formed, and how achievement is measured.

Embedded in DEXUS's CR&S framework is a commitment to maintaining the highest standards of governance and business ethics, delivered through a service excellence approach to tenants and capital partners, the development of its people, supplier partnerships and engagement within communities.

The CR&S Framework is structured around the following CR&S principles:

- Taking a holistic view of every aspect of DEXUS's operations and incorporating CR&S initiatives throughout DEXUS
- Aligning CR&S initiatives with stakeholder expectations, corporate objectives and values
- Providing transparent reporting of CR&S activities and progress
- Demonstrating leadership in CR&S by maintaining the highest standards of corporate governance, ethics, environmental and social responsibility

### **Investors**

DEXUS is focused on creating investor value by delivering operational excellence through active property, asset and development management resulting in low risk sustainable returns. DEXUS's approach to economic sustainability is based on two principles:

#### *1. Sustained financial performance*

DEXUS is committed to delivering consistently strong financial performance for its investors which, in turn, enables it to invest in initiatives that deliver improved sustainability performance.

DEXUS is a long term owner, manager and developer of property and conducts regular asset management strategy reviews to assess each property's long term value.

A consideration in the assessment of the financial sustainability of each property is that it continues to deliver against revenue targets, minimise outgoings and grow in capital value, thereby ensuring long term retention.

#### *2. Sustainability adds value*

Operating sustainably adds to the overall business by:

- Enhancing income through rental premiums being paid for sustainable building
- Reducing operations and maintenance costs
- Improving tenant comfort and amenity
- Enhancing DEXUS's business reputation
- Boosting staff morale and productivity

This long term contribution to the bottom line is achieved through appropriate and ongoing investment in sustainability and by taking a systematic approach to responsible investment.

Accordingly, DEXUS has established the following business objectives:

- To achieve high performance environmental standards in its existing property portfolio
- To develop properties that are sustainable and minimise resource consumption
- To increase stakeholder awareness of the benefits of investing in sustainability and improved building performance

These objectives guide the development of DEXUS's sustainability practices and initiatives.

### **Tenants**

As one of DEXUS's key stakeholders, tenants/customers' needs are at the forefront of DEXUS's actions. DEXUS engages with tenants in multiple ways to gain a deep understanding of their requirements and plans in order to anticipate and meet their requirements and deliver service excellence while incorporating sustainability ideals.

DEXUS's responsible investment practices include both design and operations. DEXUS considers how each investment will:

- Enhance the liveability and suitability of the building and tenant workplaces
- Mitigate future maintenance and operational costs
- Enhance retention options
- Impact the delivery of or adherence to lease obligations under any green leasing arrangements
- Improve the carbon management performance of tenants and encourage innovation

### **Suppliers**

DEXUS seeks to engage with like-minded suppliers concerning sustainability issues and practices. DEXUS's suppliers vary in size and scale, and their capacity to integrate sustainable practices into their operations also varies. As a result DEXUS takes a long term view to managing and maintaining supplier relationships.

DEXUS communicates its expectations to all suppliers and requires each one to operate in line with a Supplier Code of Conduct as well as understand DEXUS's procurement requirements and commitments outlined in its Sustainable Procurement Policy.

With each supplier engagement DEXUS seeks to ensure that investment considerations:

- Address impact on supply chains and adhere to DEXUS's Supplier Code of Conduct including materials, contractors, consultants and other professional services

- Are in line with recognised and accepted labour and employment practices where that investment results in employment or engagement of suppliers, contractors and professional service providers

### **Employees**

One of DEXUS's most significant investments is its employees. DEXUS strives to recruit and retain staff with the right combination of expertise, experience, ethics and professionalism. DEXUS believes that decision making is enhanced by diversity and seeks to maintain a socially and culturally diverse workplace that is tolerant, flexible and adaptive to the needs of the environment.

DEXUS also aims to:

- Achieve gender equality and equal opportunities
- Eliminate discrimination, harassment and bullying
- Provide a positive work culture that promotes excellence, integrity, empowerment, innovation and collaboration

### **Community**

DEXUS accepts that it has a social responsibility to invest in community issues and to incorporate community considerations into its asset investment plans. In FY14 DEXUS reaffirmed its commitment to employee volunteering across the community with organisations committed to the support and care of the homeless through providing each staff member with one day of volunteer leave. DEXUS also considers community issues in regards to investment decisions, including:

- Any community / social / media risks
- Community / employment mobility in the short and long term
- Any opportunities or threats to public infrastructure
- The impact on the disabled and opportunities to enhance social inclusion
- Have regard to appropriate stakeholder consultation and provision of service excellence in dealings with the wider business, social and residential community

### **Environment**

DEXUS's environmental strategy aims to minimise the overall impact of its operations, both in the development of new properties and in the management of existing properties.

DEXUS's active management approach involves continual monitoring of environmental performance with the aims of identifying ways to save energy and water, reduce greenhouse gas emissions, and reduce the amount of waste transported to landfill.

DEXUS sets challenging targets for environmental performance down to a property level, and challenges its Property Managers to continually improve results. DEXUS is constantly evaluating new technologies and operational practices in order to realise further performance gains, and takes a long term view in regards to investing significant capital funds to improve poor performing buildings.

Key environmental objectives include:

- Maximise energy and water performance of assets rated under the National Australian Built Environment Rating System (NABERS)
- Exceed benchmarks including GHG emissions, waste, indoor environmental quality, transport and social performance
- Identify opportunities to enhance both environmental and social performance
- Set environmental performance targets for all investments
- Comply with applicable legislation
- Assess biodiversity risks and opportunities to create a net positive benefit
- Assess the impacts of climate change and extreme weather events and address appropriate mitigation and adaptation actions

- Prepare strategic improvement plans for properties that quantify the ratings enhancement and energy saved, and the required investment

Key environmental metrics are evaluated for new and existing properties with reference to DEXUS's environmental targets and objectives. In some cases this may present an opportunity to reposition a poorly performing building, whilst in other cases an investment's failure to meet DEXUS's environmental principles may prevent an otherwise worthwhile transaction from proceeding.

## Fundraising of property funds

PR 06

Mandatory

Core Assessed

PRI 1,4,6

PR 06.1

Indicate if your fund placement documents (private placement memorandums (PPMs) or similar) refer to responsible investment aspects of your organisation.

Yes

PR 06.2

Indicate how your fund placement documents (PPMs or similar) refer to the following responsible investment aspects of your organisation:

- Policy and commitment to responsible investment
  - Always
  - In a majority of cases
  - In a minority of cases
- Approach to ESG issues in pre-investment processes
  - Always
  - In a majority of cases
  - In a minority of cases
- Approach to ESG issues in post-investment processes
  - Always
  - In a majority of cases
  - In a minority of cases

PR 06.3

Describe how your organisation refers to responsible investment for property funds in fund placement documents (PPMs or similar). [Optional]

DEXUS periodically undertakes capital/fund raising activities for various funds across the Group, including adding capital to its third party wholesale funds management business on a selected basis.

### Capital raising activities

Examples of capital raising activities undertaken by the Group in FY14 include:

#### *DEXUS Direct Property Portfolio*

In FY14 DEXUS raised US\$200 million in the US private placement market.

DEXUS provides all prospective US Private Placement investors with a Private Placement Memorandum (PPM) in which it describes in detail its responsible investment approach in regards to Governance, Management as well as Corporate Responsibility & Sustainability.

DEXUS also notifies its investors of successful capital raisings from private placements through market releases and its 2014 Annual Review.

### *DEXUS Whole Property Fund (DWPF)*

In FY14 DWPF completed a \$350 million pro-rata offer of new equity providing capacity for DWPF to fund its committed developments, fund-through office investments and additional strategic opportunities identified within its investment plan.

Please refer to the DWPF media release dated 17 February 2014 for further details

<http://www.dexus.com/upload/asxannouncements/2014%2002%2017%20DWPF%20new%20equity%20offer%20over-subscribed.pdf>

### **DWPF Information Memorandum**

DEXUS Wholesale Property Fund (DWPF) conducts fundraising when approached by potential investors, or by approaching the capital market directly on an infrequent basis. DWPF provides all prospective investors with an 36-page Information Memorandum in which DWPF describes in detail its responsible investment approach in regards to:

- Understanding investment risk (3 pages)
- Sustainability (1 page)
- Governance and management (9 pages)

Within this content DWPF:

- outlines the elements of its responsible investment framework
- provides investors with an insight into the key investment decision makers
- provides examples off its track record in regards to pre-investment decision making and post-investment management practices

On occasion, DWPF fields requests for additional clarification from investors to which it responds directly.

### **INREV Due Diligence Questionnaire for Fund Managers**

INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. It is Europe's leading platform for the sharing of knowledge on the non-listed real estate industry.

INREV's Due Diligence Questionnaire (DDQ) was created for fund managers to streamline fund information ahead of a fund's launch. Investors can use this information to better understand the fund's structure, strategy and real estate business. The DDQ also provides information on a specific fund's strategy, processes, management, terms and projected performance.

DWPF has previously responded to INREV's DDQ and this survey response is available to all current and potential investors upon request.

Please refer to the INREV website for further information (<https://www.inrev.org/>).

### **DWPF Reporting**

DWPF prepares and distributes quarterly reports to wholesale investors. These reports include:

- Site performance metrics, financial performance summary for the last quarter, comparison against benchmarks and commentary
- Summary of key events that have occurred and their impacts on the portfolio (i.e. acquisitions, divestments, developments, etc.)

DWPF prepares and distributes annual reports to wholesale investors. These reports include the above information, plus:

- Sustainability performance summary including current NABERS ratings
- Intensity figures for energy, water and greenhouse gas emissions
- Commentary regarding current efficiency improvement projects and results from completed projects

### **Secure Investor Website**

DWPF also provides existing and potential investors with access to a secure investor internet portal which contains additional information to support investment decision making. This includes:

- Quarterly performance reports which include reporting of sustainability metrics and commentary
- Documents describing governance processes
- Links to DEXUS's CR&S framework under which DWPF is manager

- No
- Not applicable as our organisation does not fundraise

## Pre-investment (selection)

PR 08	Mandatory	Gateway	PRI 1
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<b>PR 08.1</b>	Indicate if your organisation typically incorporates ESG issues when selecting property investments.
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- Yes

<b>PR 08.2</b>	Provide a description of your organisation's approach to incorporating ESG issues in property investment selection. [Optional]
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### Investment Committee

DEXUS's Investment Committee is tasked with reviewing all investment and divestment proposals concerning DEXUS and each of its managed funds and clients.

The Investment Committee recognises its fiduciary duty to put aside personal interest in favour of client interests. This committee uses a formal process and templates to collect and evaluate a wide range of risks, opportunities and their impacts relating to investment decisions for consideration prior to approving or endorsing each investment decision.

ESG issues and their impacts are evaluated alongside other key investment metrics thereby ensuring that CR&S issues are incorporated into investment decisions. This includes reviewing long-term asset plans and conducting appropriate environmental due diligence on acquisitions and disposals so that ESG risks can be identified and effectively managed.

A typical process for selecting investments is described below, noting how ESG issues are considered within each step where applicable.

- 8. Opportunities arise** - DEXUS actively seeks opportunities through on-market campaigns and also engages with vendors off-market (either directly or indirectly)
- 9. Initial investigation and presentation of opportunity to Investment Committee** - Potential opportunities undergo high level investigation (stage 1 due diligence) regarding key financial and ESG metrics (such as current NABERS rating), and the purchase strategy (e.g. buy and hold versus trading). This may summarise current building performance and its potential for building efficiency upgrades. Immediate risks (e.g. known flood risk, hazardous materials, previous history of earthquakes) are considered at this time, and then comprehensively during due diligence. The outcomes are summarised for review by the Investment Committee
- 10. Investments Committee decides to proceed with due diligence** - the Investment Committee evaluates the opportunity summary and either decides to proceed or makes a recommendation to proceed (in the case of third party funds) based on the size of the investment
- 11. Conduct detailed due diligence** - DEXUS has a rigorous due diligence process. Opportunities that pass the initial recommendation and enter into a period of exclusivity with the vendor undergo formal due diligence that involves in-depth investigations into a wide range of issues and factors that will influence the final decision and/or parameters of the transaction. During this process, the Capital Transaction team

brings in experts from across the business in the areas of tax, finance, sustainability, property services, legal, and treasury, and conducts testing and review of documentation. External resources may be engaged to assist with providing information or perspective where required. This may involve details on the potential acquisition's environmental performance including NABERS Ratings, Green Star ratings, energy and water consumption any climate change impact research or assessments that have been conducted. Following the results of stage 1 technical due diligence, the Investment Committee may approve further testing and analysis including but not limited to intrusive ground well boring and soil samples, reviewing building upgrade and improvement plans, past energy and water audits undertaken as well as costing required upgrades to the property

12. **Preparation of Investment Committee and Board papers (pre finalisation of due diligence)** - The Investment Committee appoints a Due Diligence Committee (DDC) to verify and approve, where appropriate, the outcomes of the due diligence once finalised
13. The Investment Committee finalises its recommendation on whether to proceed to the DEXUS Board or the Board of the third party client

This process is documented in detail and supported by tools and checklists (such as the due diligence checklist). The use of checklists serve several purposes including:

- Ensuring a consistent approach and that all known items are considered; don't forget items
- Roadmap - an effective handover document
- Compliance checklist - to confirm that staff have followed the entire process

It must be noted that the process/checklist can't always cover every eventuality/issue as some re very site specific, including ESG issues. These are typically identified and resolved via a combination of skills and experience from the due diligence team, and the thoroughness of the due diligence process itself.

These processes have emerged over recent years and continue to evolve. The Capital Transaction teams works with the Risk and Governance team to map the process. Governance is maintained and tested via internal and external audit.

No

<b>PR 08.3</b>	Additional information. [Optional]
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DEXUS believes that that the consideration of ESG issues within its due diligence process is a fundamental aspect of investing responsibly, and that failure to appropriately understand and evaluate ESG issues fails investors and exposes DEXUS to financial, reputational, and operational risks.

<b>PR 10</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 1,3</b>
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<b>PR 10.1</b>	Indicate which E, S and/or G issues are typically considered by your organisation in the property investment selection process and list up to three examples per issue.
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**ESG issues**

- Environmental

<b>PR 10.1</b>	List up to three typical examples of environmental issues
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Building environmental performance including energy/water efficiency, NABERS ratings, etc.

Land issues – contaminated land, listing on environmental register, affections, etc.

Hazardous waste and other types of pollution

Social

List up to three typical examples of social issues

Town planning and urban renewal ambitions

Compliance with the Disability Discrimination Act and Building Code of Australia relating to universal access

Occupational health and safety for building staff and tenants/customers

Governance

List up to three typical examples of governance issues

Existing contracts and service agreements, compliance with authorisations and licenses, and legal disputes

Tenancy lease agreements, tenant solvency, rent arrangements, rental arrears, etc.

Existing and required Insurance coverage and risk assessment

**PR 10.2**

Additional information. [Optional]

For each property investment decision, DEXUS applies its due diligence checklist, which includes an exhaustive list of issues, designed to ensure that all issues are considered and analysed where relevant. The checklist is applied to potential investments in all geographical areas, across all property types, and applies to relevant state and federal legislation.

The checklist is divided into sections. Most sections are actioned for all due diligence exercises, whilst others pertain to specific property types. For example the checklist contains a section on assessing Retail tenants within shopping centres.

Further details relating to the examples provided are listed below.

#### **Building environmental performance including energy/water efficiency, NABERS ratings, etc.**

DEXUS collects data pertaining to the current performance of the potential acquisition. This is benchmarked against similar properties within the DEXUS portfolio as well as externally via the NABERS rating system where applicable.

This information provides an insight into future utility operational expenditure and informs the asset plan where DEXUS seeks to undertake building works to improve energy/water efficiency.

#### **Land issues - contaminated land, listing on environmental register, affections, etc.**

DEXUS is adverse to acquiring property with the presence of contaminated land. Should a potential investment be found to be impacted by contaminated land, determination as to whether DEXUS will acquire the site will take into consideration the extent of contamination and the cost of remediation. DEXUS also seeks visibility regarding limitations that may exist over a property due to inclusion on an environmental register, or affections including proposed roads/rail, sewers, easements, etc. Compliance requirements are managed at a state level and may vary slightly across geographic markets within Australia and New Zealand.

#### **Hazardous materials and other types of pollution**

DEXUS physically inspects potential investments to determine the existence of hazardous materials such as Asbestos and evaluate the health and safety impacts for staff and tenants/customers. Hazardous materials may require removal or treatment at potentially significant cost.

#### **Town planning and urban renewal ambitions**

DEXUS investigates the current zoning classification and planning restrictions for a potential investment. DEXUS also seeks insight into future plans for the precinct. For retail sites DEXUS conducts demographic studies to understand social demographics, competition within the immediate vicinity and benchmarking.

#### **Compliance with the Disability Discrimination Act and Building Code of Australia relating to universal access**

DEXUS reviews existing building accesses to determine any gaps in compliance with relevant legislation that may require modifications to existing infrastructure of the installation of new infrastructure to accommodate universal access. This may include assessments of entrances and exits, ramps, stairs, lifts and escalators, as well as internal services.

**Work health and safety (WH&S) for building staff and tenants/customers**

DEXUS considers WH&S issues across the entire due diligence checklist. Some items directly affect health and safety and are specifically investigated. These include identifying cooling towers, hazardous materials, contaminated land, etc. Other issues such as noise pollution, potential hazards (e.g. electrical, physical, chemical) are evaluated during physical inspections, within formal assessment engagements (e.g. commissioned studies and reports), and via discussions with stakeholders.

**Existing contracts and service agreements, compliance with authorisations and licenses, and legal disputes**

DEXUS undertakes extensive due diligence to understand all legal issues and obligations that apply to a potential investment. External law firms assist internal staff to review contracts with building service providers and to determine all liability and licenses to which DEXUS must abide by.

**Tenancy lease agreements, tenant solvency, rent arrangements, rental arrears, etc.**

DEXUS reviews all tenant lease agreements to understand common contract clauses as well as specific amendments, caveats or variations. DEXUS reviews the tenancy schedule and collects information regarding lease expiry, the solvency of tenants, their rental payment history, any outstanding arrears, etc. This enables DEXUS to identify risks and develop plans regarding maintaining rental income, reducing outstanding debt, and resigning tenants onto new leases incorporating DEXUS terms and conditions.

**Existing and required Insurance coverage and risk assessment**

Investigations are undertaken to identify any recent natural events that affect the proposed investment including recent floods and location within flood-prone areas. DEXUS will consider the risks of flood and other extreme weather events as part of its overall decision to invest and the subsequent cost of insurance cover required due to the risk profile.

**Selection, appointment and monitoring third-party property managers**

<b>PR 13</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PRI 4</b>
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<b>PR 13.1</b>	Indicate if your organisation includes ESG issues in your selection, appointment and/or monitoring of third-party property managers.
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Yes

**PR 13.2**

Indicate how your organisation includes ESG issues in your selection, appointment and/or monitoring of third party property managers.

- Selection process of property managers incorporated ESG issues
  - For all third party property managers
  - For a majority of property managers
  - For a minority of property managers
- Contractual requirements when appointing property managers includes ESG issues
  - For all third party property managers
  - For a majority of property managers
  - For a minority of property managers
- Monitoring of property managers covers ESG responsibilities and implementation
  - For all third party property managers
  - For a majority of property managers
  - For a minority of property managers

**PR 13.3**

Provide a brief description of your organisation's selection, appointment and monitoring of third party property managers. [Optional]

DEXUS directly manages 92% of properties that are owned directly or where DEXUS acts as an investment manager on behalf of third party investors. The remaining sites comprise co-owned properties where one of two situations occur:

14. The co-owner and DEXUS have agreed that the co-owner is best placed to manage the property
15. DEXUS acquires a part-interest in a property with an existing property manager that is retained. In these cases DEXUS reviews the Property Management Agreement to ensure it aligns with DEXUS policies and procedures including its Environment Policy.

**Selection and contracting third party property managers**

DEXUS does not actively tender for third party property managers as this is a core function within DEXUS.

Should this be required in the future, DEXUS would apply its Tendering Policy and structured procurement procedures, which includes the consideration of ESG issues across the qualification, tendering, evaluation and contracting phases.

Through this process bidders' submissions are evaluated in regards to:

- Capacity to deliver services
- Technical ability
- Conformity with contractual terms
- Cost
- Performance risk
- Corporate responsibility and sustainability, including their commitments to addressing environmental and social issues such as labour standards, anti-bribery and corruption, respect for human rights and care for the environment

Tenderers are provided with the DEXUS Sustainable Procurement Policy and Supplier Code of Conduct. These documents are available at <http://crs.dexus.com/crs-library/18/crs-policies>

DEXUS works with the successful bidder to finalise terms and conditions and execute the Property Management Agreement. This includes agreement on performance monitoring mechanisms and key performance indicators.

Property Management Agreements may include contract clauses, agreed service levels and performance KPIs that focus on addressing compliance issues and maximising performance with regard to ESG issues. Examples may include:

- Adhering to DEXUS policies and procedures including its Sustainable Procurement Policy, Work Health and Safety Policy, and Environment Statement
- Cooperating with DEXUS to meet its ESG related legal compliance obligations including data provision for regulatory reporting, conducting environmental and risk management audits, maintaining a safe working environment, monitoring equipment (e.g. cooling towers) for compliance where required
- Agreed performance KPIs linked to performance payments including maintaining building efficiency in line with DEXUS target expectations, or rewarding sustainability innovation

**Monitoring third party property managers**

DEXUS monitors the performance of third party property managers by collecting and analysing building performance data including historical energy/water/waste data, NABERS ratings, Strategic Improvement Plans and Asset Plans specific to each property.

Investment Managers also maintain an active dialogue with third party property managers.

<b>PR 13.4</b>	Describe how your third party property managers contribute to the management of ESG issues for your property investments. [Optional]
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DEXUS formally agrees with property managers to implement ESG and sustainability measure(s) on its behalf through contract specific criteria, active contract management, KPIs, NABERS ratings, Strategic Improvement Plans and Asset Plans specific to each property.

DEXUS has portfolio-wide overview of the performance of each asset through its resource consumption database monitoring and reporting and oversight of its performance against annual commitments such as its 4.5 star NABERS Energy portfolio target and 10% energy reduction target.

DEXUS's Asset Management, Property Services and Sustainability Teams work directly with third party property managers and building operations managers on each building's Strategic Improvement Plan, NABERS ratings and Asset Plan.

DEXUS's Group Sustainability and Operations Manager ensures its ESG strategy is delivered through the improved performance of each building. This approach is collaborative to ensure DEXUS communicates its expectations in contracts with building management agents and teams. Teams meet weekly/monthly depending on individual building needs and upgrade projects. DEXUS monitors the performance of third party property managers to ensure that contract KPIs are met.

No

<b>PR 13.5</b>	Additional information. [Optional]
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Building performance is directly linked to the operational management of the building; therefore DEXUS ensures that all contracts pertaining to building operations contain appropriate sustainable criteria depending on the service procured. The process consists of engaging external facility managers through a supplier contract which includes specific sustainability and ESG criteria. All DEXUS contracts require all of its suppliers to comply with DEXUS's Sustainable Procurement Policy and its Code of Conduct. Facility management contracts contain specific KPIs that relate to sustainability benchmarking and reporting as well as data collection.

**Post-investment (monitoring and active ownership)**

**Overview**

<b>PR 14</b>	<b>Mandatory</b>	<b>Gateway</b>	<b>PRI 2</b>
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PR 14.1

Indicate if your organisation, and/or property managers, considers ESG issues in post-investment activities relating to your property assets.

Yes

PR 14.2

Indicate whether your organisation, and/or property managers, considers ESG issues in the following post-investment activities relating to your property assets.

- We consider ESG issues in property monitoring and management
- We consider ESG issues in property developments and refurbishments
- We consider ESG issues in property occupier engagements
- We consider ESG issues in community engagements related to our properties
- We consider ESG issues in other post-investment activities, specify

PR 14.3

Describe how your organisation, and/or property managers, considers ESG issues in post-investment activities related to your property assets. [Optional]

### Property monitoring and management

#### *Monitoring*

DEXUS has an extensive data collection, monitoring and reporting system that provides visibility on performance trends from corporate level down to individual buildings, meters and sub-meters. DEXUS has portfolio-wide overview of the performance of each asset through a resource consumption database monitoring and reporting, and real-time metering systems. DEXUS engages an independent outsourced bill validation specialist to collect and validate utility invoices and populate data into the resource consumption database.

Building managers are provided with monthly trend reports, and have access to interval and sub-meter systems for detailed consumption data. DEXUS tracks logins to these systems to ensure that site staff are accessing information on a regular basis.

NABERS energy and water ratings are tracked and a rolling average portfolio rating is maintained for comparison against DEXUS's 4.5 star NABERS Energy and 3.5 star NABERS Water targets.

#### *Reporting*

DEXUS reports internally on portfolio performance in terms of energy, water, waste, and greenhouse gas emissions. DEXUS also reports on its average portfolio NABERS ratings for evaluation against its NABERS Energy and Water portfolio targets.

Reports are prepared and presented to senior management and the Board Risk Committee. A comprehensive reporting 'Performance Pack' is prepared each year as part of DEXUS's annual reporting suite. This contains a detailed analysis of the property portfolio across a range of metrics, linked to the CR&S framework and corresponding FY14 commitments. The FY14 Performance Pack is located at: <http://crs.dexus.com/performance-pack/14/overview>.

DEXUS communicates ESG targets and performance through a range of mediums to tenants, which includes building specific sustainability presentations, communications through a tenant portal, building waste and recycling road shows, annual Earth Hour campaign, Green Building Committees and tenant events.

#### *Management and feedback*

DEXUS's Sustainability team works directly with third party property managers to continually monitor and review building performance. Joint weekly meetings are held which cover a comprehensive agenda focused on all operational aspects relating to ESG. Performance trends are reviewed, anomalies identified, and DEXUS requirements are communicated to the third party manager for dissemination to building managers to act upon.

#### *Projects and initiatives*

DEXUS conducts periodic engineering assessments of its properties, and develops and maintains a Strategic Improvement Plan (SIP) for each property. The DEXUS sustainability team works directly with third party property managers to implement projects and measure improvements in performance.

Up until its repeal in September 2014, DEXUS has been obligated under the federal government's Energy Efficiency Opportunities (EEO) program and reports publicly each year on progress achieved via SIP

implementation. The resource consumption database is used as the source for verifying changes in performance.

DEXUS seeks project implementation funding where available and has successfully applied for grant funding under the federal government's Green Building Fund. The final round of grants under this program were received by DEXUS in FY14.

DEXUS also participates in the NSW Energy Savings Scheme, and generates Energy Savings Certificates (ESCs) based on demonstration of electricity reductions due to energy efficiency projects. These certificates are traded to realise extra funds for repaying projection implementation capital costs and for use in further building works.

### **Innovation and technology**

DEXUS is constantly reviewing and evaluating new technologies, equipment vendors, and ideas to improve operations to identify practical and cost effective ways to maintain continuous improvement. Innovative approaches can be an effective market differentiator, and DEXUS will enthusiastically embrace viable and cost effective technologies. This typically involves product trials and if successful then leads to broad roll outs to applicable properties.

### **Developments and refurbishments**

DEXUS is committed to developments that drive emission reduction e.g. designing and building market leading Green Star properties both in the office and industrial sectors. In office, 1 Bligh Street and 123 Albert Street achieved a 6-star Green Star Design rating in 2010, while DEXUS's current developments at Kings Square, Perth, 480 Queen Street, Brisbane and 5 Martin Place, Sydney have been designed to achieve a 5 star Green Star Design standard. In industrial, DEXUS continues to ensure all new developments and refurbishments incorporate ESD initiatives such as:

- Inclusion of native landscaping which require minimal watering
- Water tanks to capture roof rainwater for landscape irrigation and for plumbing purposes
- Investigating the validity of accessing warehouse roof spaces for solar power generation
- Installing best-practice lighting systems in vacant tenancies
- Taking a long term approach to core assets including implementing major HVAC upgrade projects with long paybacks at core properties

DEXUS continues to work with the Green Building Council of Australia's Green Star Industrial Rating Tool and is committed to incorporating many of the requirements of the tool in new developments.

DEXUS continues to present Green Star opportunities to all tenants it engages with on industrial new builds. Refurbishments, energy retrofits and tenant make goods consider energy efficiency and environmental impacts from products and services. DEXUS also has fit out guides in place for sustainable products that consider whole life costings.

As an example, the Symbion building within DEXUS's Quarry Industrial Estate at Greystanes incorporated sustainable design and construction features, including:

- The use of recycled timber for construction materials obtained from a deconstructed road bridge that was being replaced at the time with a new steel and concrete structure
- Design of a rainwater harvesting system to irrigate the nearby golf course

### **Property occupier engagements**

DEXUS's approach to tenant engagement is reflected within its ESG strategy within the CR&S framework. DEXUS interacts with its tenants in a number of ways in its office, industrial and retail sectors, including:

- Tenant surveys
- Tenant and centre newsletters
- Regular tenant meetings
- Social events
- Waste education programs
- Green Building Committees with tenant representation in DEXUS's major office properties
- Tenant Service Request (TSR) system for office and industrial properties

Tenants are surveyed each year on a range of issues to help DEXUS understand how it is performing. This is a valuable engagement and feedback mechanism to better understand tenant priorities and key issues.

Tenants can provide direct feedback on issues relating to comfort via the DEXUS Response Centre (DRC). DEXUS works closely with tenants and other stakeholders to improve the tenant's sustainability performance and awareness.

In FY14 this activity included:

- Collaboration with City Switch, a national tenant energy efficiency program, both as a signatory and a landlord to drive tenant activity in sustainability and energy efficiency
- Promotion of DEXUS's green building committees and other programs, including involvement in the 2014 Earth Hour campaign, ongoing NABERS Energy and NABERS Water ratings and general building sustainability performance and updates

Through 'green leasing', DEXUS seeks joint commitment from its tenants to participate in building efficiency initiatives and collaborate where necessary to strive to achieve building performance targets.

Please refer to the Tenant section on the DEXUS website for further details <http://crs.dexus.com/our-stakeholders/10/tenants%2fcustomers>

### Community engagements

DEXUS monitors and publicly reports on community engagement and volunteering hours as well as in-kind donations from its retail and office platforms.

During FY14 DEXUS staff devoted more than 500 hours to volunteering. Volunteering activities are aligned with DEXUS's strategic objectives to support organisations providing accommodation and improved living conditions to the homeless and those less fortunate.

DEXUS also donated more than \$650,000 in financial and in-kind support to community groups and charities. DEXUS's support for the community extends to charitable organisations that provide accommodation solutions to a wide range of individuals who may be less fortunate. As a property company DEXUS believes the provision of suitable accommodation is a critical element in the sustainable development and social fabric of the community.

No

PR 14.4	Additional information. [Optional]
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For further information, please refer to DEXUS's 2014 Annual Review and Performance Pack.

The 2014 Performance Pack is available at: <http://crs.dexus.com/performance-pack/14/overview>

The 2014 Annual Review is available at: <http://dexus2014.reportonline.com.au/>

## Property monitoring and management

PR 15	Mandatory	Core Assessed	PRI 2,3
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PR 15.1	Indicate the proportion of property assets for which your organisation, and/or property managers, set and monitored ESG targets (KPIs or similar) during the reporting year.
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- >90% of property assets
- 51-90% of property assets
- 10-50% of property assets
- <10% of property assets

(in terms of number of property assets)

**PR 15.2**

Indicate ESG issues for which your organisation, and/or property managers, typically sets and monitors targets (KPIs or similar) and provide examples per issue.

**ESG issues**

Environmental

List up to three example targets per issue

Maintain an average 4.5 star NABERS Energy rating across the DEXUS office portfolio while reducing consumption of GreenPower

Deliver a 10% energy saving in FY15 against FY12 baseline across the property portfolio

Expand waste reporting to the retail portfolio and reduce waste to landfill over the next three years across our office and retail portfolio

Social

List up to three example targets per issue

Maximise tenant participation in Earth Hour initiative

Continue to target 33% female participation in DEXUS Board and senior management by 2015

Increase response rates and improve tenant satisfaction

Governance

List up to three example targets per issue

Conduct tenders in accordance with DEXUS Business Procedures for Procurement and Code of Conduct

Continue to enhance the link between performance and reward through alignment of Group objectives with individual KPIs

Deliver Funds From Operation (FFO) of 8.15 cents per security

We do not set and/or monitor against targets

**PR 15.3**

Additional information. [Optional]

Each year DEXUS sets, reviews and updates corporate objectives within its responsible investment framework. Commitments are typically defined with respect to each of the six key stakeholder groups (i.e. Investors, Customers, Employees, Suppliers, Community and Environment) and may relate to:

- Setting and achieving operational performance targets such as financial targets or building efficiency benchmarks
- Initiatives to improve collaboration or joint commitment with stakeholders such as suppliers, customers, and industry peers
- Enhancements to processes, governance mechanisms or internal efficiency
- Implementing ESG projects at specific properties within the portfolio
- Broader ambitions to make a material impact on staff, the community and/or the environment

Further information regarding DEXUS's FY14 commitments and progress can be found within the: DEXUS 2014 Annual Review, pages 22-25, which is available at: <http://dexus2014.reportonline.com.au/annual-review/commitments/delivering-commitments>

Commitments are set at the close of each financial year following input from key DEXUS stakeholders.

DEXUS reports on select key commitments every six months, and reports comprehensively on all commitments within its Annual Review, in line with requirements to transparently monitor and report performance outlined within DEXUS's Environmental Statement.

DEXUS maintains an internal monitoring and reporting program to continually review progress against its ESG commitments. Environmental performance is under ongoing review through the following forums:

- Daily monitoring of building consumption trends by Building Managers
- Weekly sustainability team meetings involving stakeholders from DEXUS and its managing agent
- Monthly reporting of NABERS ratings activity and tracking of rolling portfolio targets
- Monthly review of energy and water billing data and investigation into adverse consumption trends
- Formal updates to the DEXUS Board (via Committees) every quarter.

DEXUS measures its success in the following ways:

- Completion of commitment milestones
- Achievement of targets
- Feedback from tenants and customers
- Awards and external recognition
- Inclusion to and rankings within sustainability and leadership indices

## Property developments and refurbishments

PR 17	Mandatory	Core Assessed	PRI 2
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PR 17.1	Indicate the proportion of active property developments and refurbishments where ESG issues have been considered.
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- >90% of active developments and refurbishments
- 51-90% of active developments and refurbishments
- 10-50% of active developments and refurbishments
- <10% of active developments and refurbishments
- N/A, no developments and refurbishments of property assets are active

(by number of active property developments and refurbishments)

**PR 17.2**

Indicate if the following ESG considerations are typically implemented and monitored in your property developments and refurbishments.

- Minimum environmental site selection requirements
- Minimum environmental site development requirements
- Sustainable construction materials
- Minimum water efficiency requirements
- Minimum energy efficiency requirements
- Energy generation from on-site renewable sources
- Waste management plans at sites
- Health and safety management systems at sites
- Construction contractors comply with sustainability guidelines
- Other, specify

**PR 17.3**

Additional information. [Optional]

DEXUS is committed to developing properties that drive emission reduction with a longstanding record in designing and building market leading Green Star properties both in the office and industrial sectors.

In office, 1 Bligh Street and 123 Albert Street achieved a 6-star Green Star Design rating in 2010 and 1 Bligh Street achieved 6 Star Green Star As built (v2) in June 2012. DEXUS's current developments at Kings Square, Perth, 480 Queen Street, Brisbane and 5 Martin Place, Sydney have been designed to achieve a 5 star Green Star Design standard. DEXUS seeks to use recycled, reused, low carbon and ethically sourced materials.

DEXUS also has a strong track record in regards to conducting retrofits to buildings to make them more energy efficient and sustainable. Through structured programs and a portfolio-wide approach involving capital upgrades and operational efficiencies, in FY14 DEXUS has achieved the following reductions in energy, water and greenhouse gas emissions intensity against its FY08 baseline:

16. 30.2% reduction in energy use intensity
17. 17.2% reduction in water consumption intensity
18. 29.7% reduction in greenhouse gas emissions intensity

In FY14, DEXUS continued to progress its development pipeline utilising its core capabilities to:

- Complete six industrial developments valued at \$111.2 million
- Progress development on its office fund-through developments at 480 Queen Street, Brisbane and Kings Square in Perth, jointly owned with DWPF
- Complete the refurbishment at 50 Carrington Street, Sydney, repositioning the property for sale
- Commence high quality base building upgrades at 40 Market Street, Melbourne for long term tenant, Powercor and reposition this trading property
- Drive industrial and retail developments on behalf of third party capital partners, contributing to the growth of the third party platform
- Identify office and industrial repositioning opportunities, including the potential for rezoning for alternate use, to enhance returns to investors

At 50 Carrington Street, Sydney, DEXUS completed a capital works program that lifted the property's NABERS Energy rating from 3.0 stars at acquisition to 4.5 stars at point of sale.

The building upgrade embraced initiatives to improve environmental performance and provide energy savings, and included replacing the central plant equipment, installing variable speed drive controls, and lighting upgrades.

#### **New Development Design Briefs and Refurbishment Scopes of works "Design Briefs"**

A design brief is prepared for all new developments and refurbishments in conjunction with a tenant where applicable.

Design briefs describe the scope and nature of the development works, and incorporate a range of requirements and minimum standards relating to ESG issues and performance. The content of each design brief is unique to the development or retrofit however an overarching document is created for each works project for the purposes of tendering and holding contractors to account against a fully documented list of requirements.

DEXUS seeks to incorporate best-practice into its design briefs. For new developments, buy in is sought from prospective tenants and the final brief is agreed before proceeding with construction. DEXUS seeks to incorporate ESG issues into all aspects of the design through the inclusion of sustainable building features (e.g. such as passive cooling, rainwater harvesting) as well as applying minimum standards to equipment and materials (e.g. insulation R-values, WELS ratings for water fixtures).

DEXUS decides on a case-by-case basis, in conjunction with tenant needs, to seek certification under Green Star. Even if not required, DEXUS will refer to its design principles and standards where feasible.

### **Managers have a duty to drive performance**

A Principal Contractor is selected via tender to implement the brief. The PC takes on legal obligations for HSE at site during construction. Their systems are critically reviewed during procurement/engagement as part of adhering to the DEXUS Supplier Code of Conduct.

Principle Contractors have a duty to drive performance as part of meeting their contractual obligations with DEXUS.

DEXUS employs an independent project manager/superintendent to administer the development contract on behalf of DEXUS. They run PCGs site inspections and ensure that builders/contractors adhere to agreed and statutory HSE requirements.

Prior to handover, DEXUS thoroughly reviews the works against the design brief to ensure all requirements are met.

### **Underlying Drivers**

A range of internal and external drivers exist that drive ongoing investment in building efficiency and managing ESG issues. These include:

- **Improving rental returns** - the desire to reduce operating costs and reduce risk associated with utility prices. Reduced outgoings mean that DEXUS is able to increase profit margins. Evidence has shown that tenants are willing to pay premium rents to occupy the most efficient and sustainable buildings.
- **It makes financial sense** - numerous studies have shown that investments in energy efficient technology are one of the least cost ways to reduce greenhouse gas emissions and project investments are paid back through reduced utility and maintenance costs in a reasonable timeframe. From this perspective, the financial drivers are straightforward. This is particularly evident for new designs, in which ESG opportunities can be incorporated at reduced marginal cost.
- **Consumer demand and sentiment** - the leasing market is a competitive one in which tenants often have a choice of buildings to occupy. Increasingly tenants expect that their building perform efficiency; building efficiency is no longer a nice to have. For example government agencies set minimum standards for base building NABERS ratings as a minimum requirement when selecting potential space.
- **Industry leadership** - The DEXUS vision is "To be globally recognised as Australia's leading real estate company". This involves taking a leadership position on issues such as responsible investment and applying suitable focus on ensuring that its assets are leaders in their respective markets.
- **Benchmarking and peering** - The use of tools such as Green Star and NABERS quickly enables tenants, investors, and the wider community to assess the relative ESG performance of DEXUS properties against industry benchmarks. It is in DEXUS's interests to ensure that it is well positioned against its peers in order to attract and maintain tenants and investors.
- **Future proofing** - DEXUS recognises the ESG will continue to grow in importance over time. As part of its long term risk management strategy, DEXUS seeks to tackle ESG issues and maximise building performance so that its property portfolio is best placed to deal with potential future issues including introduction of environmental minimum standards, taxes or financial penalties associated with resource use and greenhouse gas emissions, new legislation, etc. Although DEXUS cannot always predict how it will be affected in the future, by progressing as far as is economically possible now means that DEXUS can cushion itself from drastic, externally driven changes to its business.

- **Attracting and retaining investors** - ESG performance is one of several criteria in which investors allocate funds. Investors that are keen to invest in sustainable companies will refer to stock exchange sustainability indices including DJSI and FTSE4Good to assist them. Each year DEXUS responds to investor surveys describing in detail its approaches to ESG issues, management and implementation strategies, and performance figures. Membership to these indices is based in part demonstrating ongoing operational efficiency gains and greenhouse gas reductions, which are most readily achieved from building upgrade works and best-practice developments.

### ESG standards for contractors

DEXUS seeks to engage with like-minded suppliers concerning sustainability issues and practices. DEXUS's suppliers vary in size and scale, and their capacity to integrate sustainable practices into their operations also varies. As a result DEXUS takes an individual and long term view to managing and maintaining supplier relationships.

DEXUS communicates its expectations and general ESG requirements to all suppliers and requires each one to operate in line with a Supplier Code of Conduct as well as understand DEXUS's procurement requirements and commitments outlined in its Sustainable Procurement Policy.

With each supplier engagement DEXUS seeks to ensure that investment considerations:

- Address impact on supply chains and adhere to DEXUS's Supplier Code of Conduct including materials, contractors, consultants and other professional services.
- Are in line with recognised and accepted labour and employment practices where that investment results in employment or engagement of suppliers, contractors and professional service providers

Specific standards regarding ESG are agreed with contractors based on the prepared design brief. All work carried out must comply with the brief.

## Occupier engagement

PR 18	Mandatory	Core Assessed	PRI 2
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PR 18.1	Indicate the proportion of property occupiers your organisation, and/or your property managers, engaged with on ESG issues during the reporting year.
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- >90% of occupiers
- 51-90% of occupiers
- 10-50% of occupiers
- <10% of occupiers

(in terms of number of occupiers)

**PR 18.2**

Indicate if the following practises and areas are typically part of your, and/or your property managers', occupier engagements.

- Distribute a sustainability guide to occupiers
- Organise occupier events focused on increasing sustainability awareness
- Deliver training on energy and water efficiency
- Deliver training on waste minimisation
- Provide feedback on energy and water consumption and/or waste generation
- Provide feedback on waste generation
- Carry out occupier satisfaction surveys
- Other, specify

**PR 18.3**

Additional information. [Optional]

**Sustainability Guide - Tenant Welcome Pack**

DEXUS presents new tenants with a 'Tenant Welcome Pack' which introduces them to the features and services of the property in which they have taken up space. This pack contains information about the sustainability features (e.g. water recycling, solar blinds, etc.) and amenities of the building (such as bike racks, change rooms, etc.) that are available. The guide also outlines DEXUS's approach to waste management as this is a key area where tenant behaviour directly influences the amount of waste that can be diverted from landfill.

**Sustainability Awareness**

DEXUS has had tenant engagement programs in place since inception, and considers the impact its sustainability performance has on tenants and their ESG strategies and aims to deliver financial savings as well as real sustainability savings.

During major building upgrades DEXUS actively engages with property management, building operations managers and tenants to present plans, discuss construction activities and seek feedback.

DEXUS actively promotes tenant energy efficiency programs such as City Switch to tenants, and continues to promote green building committees and programs to engage with tenants. This includes waste and recycling road shows, communications around the Earth Hour campaign and promoting each building's NABERS ratings and building sustainability performance.

Tenancy agreements now include a Green Lease clause as standard. These were included in DEXUS new leases and lease renewals. Take up of the green lease clauses was 87% in FY14.

**Occupier Events - Earth Hour**

DEXUS engages with all tenants to encourage them to participate in this annual event. DEXUS actively uses this opportunity within its campaign and marketing material to also promote energy efficiency and energy efficiency programs such as City Switch.

**Training on waste minimisation**

DEXUS has partnered with B.I.C. Services, a pro-active cleaning and waste management supplier who is focused on delivering a best-practice outcome across the DEXUS portfolio. B.I.C. conducts extensive direct engagement with tenants to promote recycling, encourage sustainability awareness, and educate tenants on waste management practices in order to reduce waste to landfill.

B.I.C. has engaged with over 900 foyer and conducted 17 foyer presentations to improve awareness.

**Feedback on energy/water/waste consumption**

DEXUS informs tenants of the current NABERS ratings for their building via foyer displays and electronic screens in common areas and lifts. At premium grade buildings, DEXUS provides tenants with energy/water consumption data and charts to demonstrate performance trends.

At 1 Bligh St and 123 Albert St, tenant sustainability committees are formed to discuss current performance trends, and identify and resolve issues that are leading to adverse trends. For these properties, waste is captured floor by floor and reported to tenants.

### Occupier satisfaction surveys - Tenant Surveys

Tenants are surveyed each year on a range of issues to help DEXUS understand how it is performing across a range of metrics. This is a valuable engagement and feedback mechanism to better understand tenant priorities and key issues. The results of tenant surveys are closely monitored to ensure high level of facility management performance and tenant satisfaction.

### Better Building Partnerships, City of Sydney

DEXUS is a founding member of the Sydney-based Better Building Partnerships (BBP). The Partnership aims to develop collaborative solutions and initiatives to overcome sustainability related barriers and achieve substantial improvements in the environmental performance of their buildings.

DEXUS is a member of the BBP leadership group, and four BBP technical working groups, each of which focuses on a specific challenge facing the commercial and public sector property industry: environment, waste, tenant engagement and benchmarking.

The tenant engagement working group focuses on collaboration between landlords and tenant groups to develop ideas and opportunities relating to tenant-landlord relationships and improve sustainability outcomes for office fit-outs and daily operations.

## Communication

PR 23

Mandatory

Core Assessed

PRI 6

PR 23.1

Indicate if your organisation proactively discloses ESG information on your property investments.

Disclose publicly

provide URL

<http://crs.dexus.com/>

provide URL

<http://crs.dexus.com/performance-pack/14/overview>

PR 23.2

Indicate if your organisation uses property specific reporting standards to disclose information related to your property investments' ESG performance.

Global Reporting Initiative (GRI) Construction & Real Estate Sector Supplement (CRESS)

Other property reporting standards, specify

Carbon Disclosure Project

No property specific reporting standards are used

PR 23.3

Indicate if the level of ESG information you provide to the public is the same as the level you provide to your clients/beneficiaries.

Yes

PR 23.4

Indicate the type of ESG information that your organisation proactively discloses to the public and/or your clients/beneficiaries.

- ESG information on how you select property investments
- ESG information on how you monitor and manage property investments
- Information on your property investments' ESG performance
- Other, specify

PR 23.5

Indicate your organisation's typical frequency of disclosing ESG information to the public and/or your clients/beneficiaries.

- Quarterly or more frequently
- Semi annually
- Annually
- Every two years or less frequently
- Ad-hoc, specify

PR 23.6

Describe the ESG information and how your organisation proactively discloses it to the public and/or clients/beneficiaries. [Optional]

**Disclosing ESG-related information about pre-investment activities (screening, due diligence and investment decision)**

As part of its 2014 submission to the United Nations on its Principles of Responsible Investment (UNPRI) DEXUS disclosed the due diligence process undertaken when acquiring new property assets. DEXUS addresses climate change and sustainability risks of a potential acquisition before purchase through a rigorous due diligence process. This process requires details on the potential acquisition's environmental performance including NABERS Ratings, Green Star ratings, energy and water consumption any climate change impact research or assessments that have been conducted, building upgrade and improvement plans, past energy and water audits undertaken as well as costing required upgrades to the property in line with proposed site performance targets. The building performance will affect DEXUS's procurement decision and investment strategy, both in the short and long term.

**Disclosing ESG-related information about how existing property investments are managed (investment monitoring, active ownership and exits)**

As part of its 2014 submission to the United Nations on its Principles of Responsible Investment (UNPRI) DEXUS disclosed the process of the management of existing property investments by DEXUS. DEXUS's (internal) Corporate Responsibility and Sustainability (CR&S) Committee receives quarterly reports on the results of companywide and property specific assessments and monitors progress in line with action plans developed by line management. The minutes of the CR&S Committee are reviewed by the Board Risk and Sustainability Committee quarterly.

Please refer to DEXUS's 2014 UNPRI Transparency Report for further details: <http://crs.dexus.com/crs-library/34/unpri-reports>

**Disclosing ESG-related information about ESG performance**

DEXUS discloses its ESG related information primarily via the sustainability section of its corporate website (<http://crs.dexus.com/>). Each year including FY14 DEXUS prepares an Annual Review and Performance data pack, in which DEXUS discloses Environmental, Social and Governance performance as well as key performance indicators under the Global Reporting Initiative (GRI) G3.1 standard.

Within the Performance data pack, DEXUS discloses environmental performance at an organisation level, across the six stakeholder groups within its CR&S framework. Additional data for key environmental metrics such as greenhouse gas emissions, energy and water use, is provided by fund and asset type, as well as the current NABERS ratings for each rated property.

Please refer to both documents for further information (links provided below).

### **Frequency**

Most ESG-related performance indicators are reported on an annual basis however environmental performance is reported on a quarterly basis within the quarterly investor updates for third party funds that are managed by DEXUS.

### **Non-disclosure**

DEXUS does not hold any mandates that preclude the public reporting of ESG information as part of corporate summaries.

- No
- Disclose to clients/beneficiaries only
- No proactive disclosure to the public or to clients/beneficiaries

**PR 23.9**

Additional information. [Optional]

For further information, please refer to DEXUS's 2014 Annual Review and Performance Pack.

The 2014 Performance Pack is available at: <http://crs.dexus.com/performance-pack/14/overview>

The 2014 Annual Review is available at: <http://dexus2014.reportonline.com.au/>