dexus

Annual Report 2021

Creating spaces where people thrive

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Creating spaces where people thrive

Dexus is one of Australia's leading fully integrated real estate groups, managing a high-quality Australian property portfolio valued at $42.5 billion.

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

Our purpose is to create spaces where people thrive

Our values

- Openness and trust
- Empowerment
- Integrity

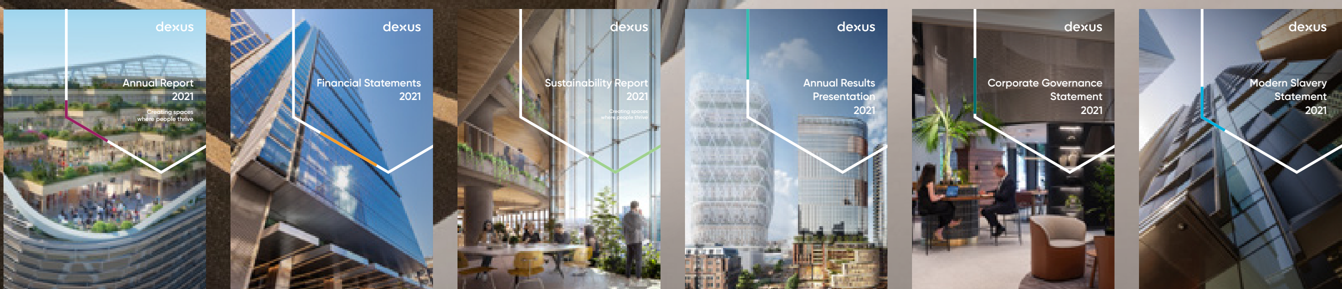
Our strategy is to deliver superior risk-adjusted returns for investors from high quality real estate in Australia's major cities

How we create value

The framework that outlines how we create value for all stakeholders

→ Page 12

2021 Dexus Annual Reporting Suite



Annual Report 2021 | Financial Statements 2021 | Sustainability Report 2021 | Annual Results Presentation 2021 | Corporate Governance Statement 2021 | Modern Slavery Statement 2021

Front cover: Artist impression: Atlassian, Sydney NSW

Inside cover: 25 Martin Place, Sydney NSW

About this report

The 2021 report is a consolidated summary of Dexus's performance for the financial year ended 30 June 2021. It should be read in conjunction with the reports that comprise the 2021 Annual Reporting Suite available from www.dexus.com/investor-centre. In this report, unless otherwise stated, references to 'Dexus' 'the group', 'we', 'us' and 'our' refer to Dexus comprising the ASX listed entity and the funds management business. Any reference in this report to a 'year' relates to the financial year ended 30 June 2021. All dollar figures are expressed in Australian dollars unless otherwise stated.

The Board acknowledges its responsibility for the 2021 Annual Report and has been involved in its development and direction from the beginning. The Board reviewed, considered and provided feedback during the production process and approved the Annual Report at its August 2021 meeting.

This Annual Report has been prepared in accordance with the content elements of the 2021 International <IR> Framework, which we use to identify material issues from an enterprise value perspective and clearly articulate how we deliver sustained value for all stakeholders. An index is provided on page 180 of this report. PwC has been engaged to provide limited assurance as to whether Content Elements of the Integrated Reporting Framework have been addressed in the report as described in this Index. This assurance is focused on whether these Content Elements have been included in this report but does not extend to assessing the accuracy or validity of any statement made throughout this report.

We have also used the GRI Standards to understand material issues from a stakeholder impact perspective, as disclosed across our 2021 Annual Reporting Suite, which is prepared in accordance with the GRI Standards: Core option (GRI Content Index and is provided in our 2021 Sustainability Report). PwC has provided limited assurance over select environmental and social data, within the annual reporting suite covering the 12 months to 30 June 2021 (assurance statement provided in our 2021 Sustainability Report).

Report scope

The Annual Report covers financial performance at all locations. Environmental data only includes properties under the Group's operational control as defined under the National Greenhouse and Energy Reporting System (NGER Act). Additional information on financial, people, customer, community, supplier and environmental datasets is provided in our 2021 Sustainability Report.

Overview

Approach

Performance

Governance

Directors' report

Financial report

Investor information

FY21 Highlights

Throughout the year, we maintained momentum on maximising property portfolio income and performance while growing and diversifying our funds management business.

Financial

→ Page 28

Maintaining strong financial performance by delivering on our strategy

Properties

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

People and capabilities

→ Page 50

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

Customers and communities

→ Page 54

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

Environment

→ Page 62

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

51.8cents
Distribution per security
FY20: 50.3 cents

51.8cents
AFFO per security
FY20: 50.3 cents

8.3%
Return on Contributed Equity
FY20: 9.0%

$42.5bn
Value of group property portfolio[1]

95.2%
Dexus office portfolio occupancy

$14.6bn
Group development pipeline

+43
Employee Net Promoter Score
FY20: +61

35%
Females in senior and executive management roles
FY20: 36%

+46
Customer Net Promoter Score
FY20: +50

>$0.8m
Community investment value
FY20: $1.1m

31%
Of electricity sourced from on-site and off-site renewable sources in FY21 across the group managed portfolio

4.7star
Average NABERS Indoor Environment rating across the group office portfolio

1 Prior to circa $2bn of redemptions to existing AMP Capital Diversified Property Fund (ADPF) unitholders and proforma for the acquisition of APN Property Group which was approved on 27 July 2021 as well as settlement of Mercatus Dexus Australian Partnership's (MDAP's) 33.3% interest in 1 Bligh Street, Sydney which occurred on 8 July 2021.

About Dexus


Artist impression: Central Place, Sydney NSW

Dexus is one of Australia's leading fully integrated real estate groups, managing a high-quality Australian property portfolio valued at $42.5 billion.

Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (trading code: DXS) and is supported by more than 30,000 investors from 23 countries.

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

With more than 35 years of expertise in property investment, development and asset management, Dexus has a proven track record in managing capital and risk and delivering superior risk-adjusted returns for its investors.

We invest only in Australia, and directly own $17.5 billion of office, industrial and healthcare properties and investments. We manage a further $25.0 billion of office, retail, industrial and healthcare properties in our funds management business, which provides wholesale investors with exposure to quality sector specific and diversified real estate investment products. The funds within this business have a strong track record of delivering outperformance and benefit from Dexus's capabilities. The group's $14.6 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns.

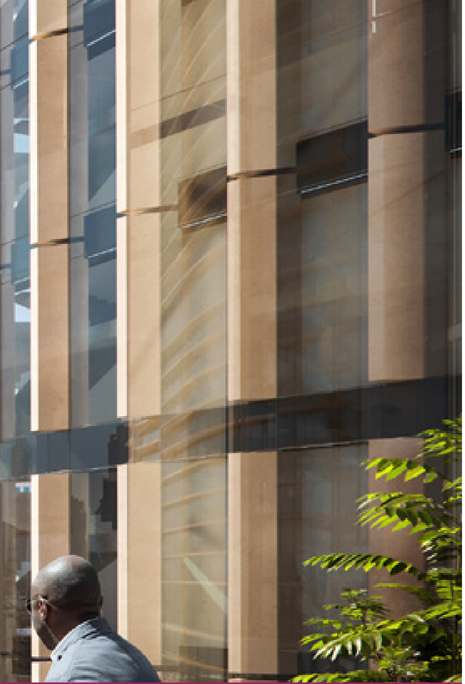
We consider sustainability to be an integral part of our business with the objectives of Leading Cities, Future Enabled Customers, Strong Communities, Thriving People and an Enriched Environment supporting our overarching goal of Sustained Value.

$17.5bn

Directly owned office, industrial and healthcare properties and investments

$25.0bn

Of office, retail, industrial and healthcare properties in our funds management business



$42.5bn
Total funds under management

182
Properties

5.7m
Square metres across the group

$11.5bn
Market capitalisation as at 30 June 2021

Top 50
Entity on ASX

559
Employees

About Dexus

$17.5bn
Dexus

$16.0bn
Dexus Wholesale Property Fund[2]

$0.2bn
Dexus Industrial Partner

$0.6bn
Dexus Australian Commercial Trust

$2.6bn
Dexus Office Partner

$0.7bn
Dexus Healthcare Property Fund

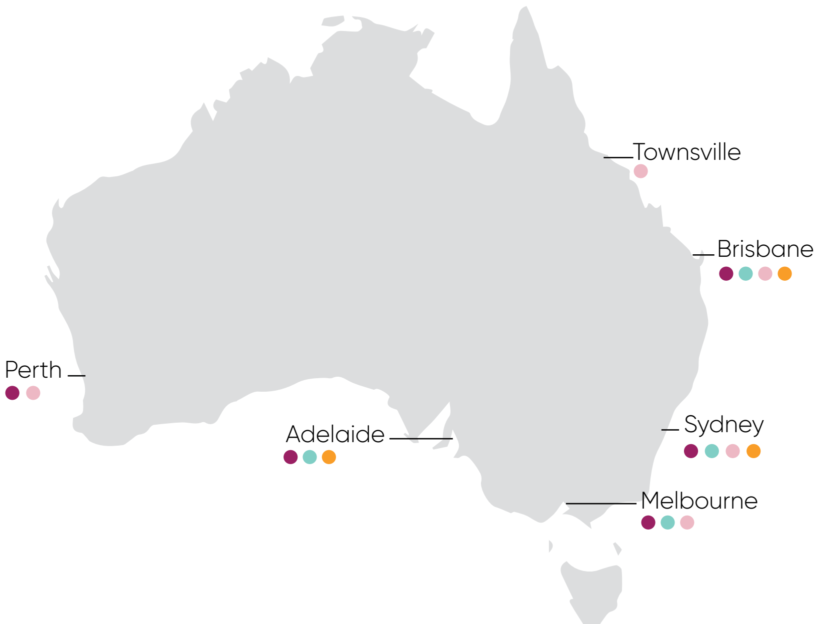
$0.5bn
Australian Industrial Partner

$1.4bn
Dexus Australian Logistics Partner

$0.3bn
Mercatus Dexus Australia Partner

$2.7bn
APN Property Group[3]

Group portfolio composition



$26.0bn
Office

$7.8bn
Industrial

$6.2bn
Retail

$1.2bn
Healthcare

$1.3bn
Real estate securities

1 Prior to circa $2bn of redemptions to existing ADPF unitholders and proforma for the acquisition of APN Property Group which was approved on 27 July 2021 as well as settlement of MDAP's 33.3% interest in 1 Bligh Street, Sydney which occurred on 8 July 2021.
2 Prior to circa $2bn of redemptions to existing ADPF unitholders.
3. Representing external funds under management at 31 December 2020.

Chair and CEO review

Dexus's purpose of creating spaces where people thrive has never been more important than during the 2021 financial year.

2021 was a year where the COVID-19 pandemic (pandemic) continued to create unprecedented challenges in our operating environment through unanticipated lockdowns that varied in their level of impact across Australian cities. Despite this disruption, Australia's economic activity has been resilient supported by government stimulus and historically low interest rates, with growing employment numbers, increasing house prices and strong business and consumer confidence.

In this environment, we maintained our focus on maximising property portfolio income and performance, while also supporting our small business customers impacted by the lockdowns and growing and diversifying the funds management business.

During the year we implemented major strategic initiatives which grew the funds management business and positioned it for growth including securing approval for the merger of AMP Capital Diversified Property Fund (ADPF) with Dexus Wholesale Property Fund (DWPF), simplifying the Dexus corporate structure, and entering into a proposal to acquire APN Property Group. We also took the opportunity to selectively recycle assets and make investments to support growth which involved $6.4 billion of healthcare, industrial and office transactions across the group.

Despite the ongoing challenges presented by the pandemic, Dexus achieved 3% growth in Adjusted Funds From Operations (AFFO) and distribution per security (51.8 cents).

This result is particularly pleasing given our initial market guidance for a distribution consistent with FY20 (50.3 cents) and demonstrates the commitment of our people in responding to the challenging environment.

Resilient independent asset valuations contributed to an increase in net tangible asset backing per security to $11.42, reinforcing the quality of our property portfolio while increasing our confidence to allocate capital towards new investment opportunities that offered strong growth prospects.

Today the Dexus platform comprises a $17.5 billion investment property portfolio, a $25.0 billion funds management business, and an embedded $14.6 billion group development pipeline. We have significant scale and capability across the office, industrial, healthcare and retail property sectors and believe this capability, along with our engaged workforce, will enable us to create spaces where people thrive.

Despite the ongoing challenges presented by the pandemic, Dexus achieved 3% growth in Adjusted Funds From Operations and distribution per security (51.8 cents).

Achievement against FY21 priorities

Despite the complex operating environment over the past year, our people have delivered on the initiatives we set out in our Annual Report last year. This activity involved focusing on our immediate priorities while maintaining our balance sheet strength. It included:

Assisting in returning Australian businesses safely to their workplaces

We helped our customers and employees to return to work safely, continuing our strong engagement through timely communications and remaining true to our purpose of creating spaces where people thrive. Our property management teams were agile in responding to changing restrictions across various jurisdictions on the ground. We also worked with the Property Council of Australia and local stakeholders on a program of activations encouraging people back to Australian central business districts (CBDs).

Optimising our property portfolio composition

We maintained a strong balance sheet and provided capacity for future growth via the recycling of circa $2 billion of office assets (predominantly those with short-dated lease expiry). We also made new investments in the industrial and healthcare property sectors while establishing a new healthcare relationship with Australian Unity Healthcare Property Trust. Post 30 June 2021, Dexus acquired a 49% interest in Capital Square Tower 1 in Perth as well as entered into agreements to enable Dexus to develop, own and manage Atlassian's new headquarters in Sydney, further strengthening our focus on delivering workspaces of the future.

Accelerating opportunities to expand our funds management platform

We secured approval for the merger of ADPF and DWPF, established two new funds, and expanded the portfolios of two existing funds. Dexus Healthcare Property Fund (DHPF) grew its portfolio through acquisitions and the completion of North Shore Health Hub. Post 30 June 2021 we received approval for the acquisition of APN Property Group. We also simplified the Dexus stapled corporate structure, enabling the group to generate further operational efficiencies while improving optionality for potential future funds growth initiatives (see page 31).

Continuing to work with our customers on the future of workspace

Through our workspace and change consultancy business, Six Ideas by Dexus, we worked with 12 major organisations across an estimated 14,000 employees on their future workspace with the aim of gaining a competitive advantage as employers of choice. We continued to meet customer demand for flexibility through evolving our Dexus Place and SuiteX offer and investing in amenity, systems and processes that make our customers' experience simple and easy.

Progressing our city-shaping development pipeline

We progressed our development pipeline, receiving planning approval for Waterfront Brisbane and progressing through Stage 3 of the Unsolicited Proposal (USP) process for Central Place Sydney. We also lodged a development application for Central Place, Sydney and a planning amendment application for 60 Collins Street, Melbourne. We continued to build out our industrial pipeline, expanding our development site at Horizon 3023, Ravenhall, and post 30 June 2021 we entered into agreements that will enable us to fund, develop and invest in Atlassian's headquarters within the NSW State Government-led Tech Central precinct.

Flexible working and Dexus's response

The adoption of flexible working has been accelerated by the pandemic, and, enabled by technology, our customers' workforces now have a choice of being able to work anywhere. We have been preparing for increased flexibility through our own offering for many years, for example with Dexus Place and SuiteX. The shift to a blended workplace is exciting and through our investment in Taronga Ventures and our workplace consulting business Six Ideas by Dexus, we are working even closer with our customers to help them navigate the future of working.

We are fortunate that Dexus has a diversified set of capabilities with the ability to invest in real estate sectors with tailwinds while responding to the challenges and opportunities brought about by the broader adoption of flexible working by our office customer base.

We are confident that office workspace will remain a core part of our customers' needs, playing an important role in building culture, enabling collaboration and driving innovation. We believe quality office buildings with quality workspaces and amenities located in key CBD locations will continue to attract talented workforces, remaining leading destinations for work and entertainment. 25 Martin Place, Sydney and 80 Collins Street, Melbourne are prime examples of this in our portfolio.

We expect that once the rollout of vaccinations is further advanced and the current cycle of lockdowns are eased, there will be a substantial return to offices, however the timing of this remains uncertain. We are prepared for the challenges and are well positioned to continue to work alongside our customers and other stakeholders to enhance the attractiveness of our portfolio to create spaces where people thrive.

Strategy

Each year, our strategy review process stress tests our existing strategy with the objective of better positioning Dexus to capitalise on new opportunities and mitigate challenges. The pandemic has reinforced the importance of resilience and having a diversified business model and strategy that can deliver through the cycle.

We have built a fully integrated real estate platform and are focused on better leveraging our cross-sector asset management and development expertise to drive more capital efficient returns for investors, while remaining true to our identity as a long-term investor in high quality Australian real estate.

Throughout the year, we maintained our focus on the strategic initiatives of increasing the resilience of portfolio income streams, expanding and diversifying the funds management business and progressing the group development pipeline. These initiatives have now been incorporated into revised strategic objectives that will guide the next stage of our business evolution:

- **Generating sustainable income streams:** Investing in income streams that provide resilience through the cycle
- **Being identified as the real estate investment partner of choice**: Expanding and diversifying the funds management business

We have invested in having a superior operating platform and will continue this focus to build a world-class business. The size of Dexus's balance sheet, deep access to pools of capital and an agile, solution-based culture are key enablers of our strategy, supported by our prudent approach to capital management and commitment to sustainability.

Delivering sustained value

Dexus's activity drove a solid financial result for the year. From a challenging starting position during the pandemic, with no guidance provided in August 2020, the Board was then able to provide guidance in October 2020 for a distribution per security amount that was consistent with FY20. A combination of better-than-expected outcomes across the property portfolio, as well as delayed settlements of asset sales and other initiatives enabled us in May 2021 to upgrade guidance to 3% growth in distribution per security. This guidance was delivered upon, with the achievement of a full year distribution of 51.8 cents per security, reflecting 3% growth and resulting in a 5.5% compound annual growth rate since FY12.

This result was also achieved despite the ongoing impacts of the pandemic on our customer base and the extension of the National Commercial Code of Conduct in Victoria and Western Australia remaining in place until the end of March 2021, which saw rent relief provided to impacted small and medium enterprise customers.

Net profit after tax was $1,138.4 million, up 17% primarily due to an increase in Dexus's share of net profits from equity accounted investments and a favourable net fair value movement of derivatives and foreign currency interest bearing liabilities, partly offset by lower fair value gains on owned investment properties. Property revaluation gains primarily drove the 56 cent or 5.1% increase in NTA backing per security to $11.42 at 30 June 2021.

Dexus delivered an improved total Security holder return of 22.0% for the year, however underperformed the S&P/ASX 200 Property Accumulation (A-REIT) Index due to the strong performance of fund managers and residential exposed peers. Dexus maintains its outperformance of the A-REIT index over three, five and ten-year time horizons, delivering an annual compound return of 13.0% over the past ten years.

Operationally, Underlying Funds From Operations (excluding trading profits) was 4.1% lower than the prior year, impacted by divestments and continued impacts of the pandemic across the property portfolio and management business, partly offset by income from recently completed developments.

Despite the reduction in Underlying Funds from Operations, Adjusted Funds From Operations (AFFO) was $11.2 million or 2.0% higher than the prior year driven by trading profits of $50.4 million (net of tax) which were $15.1 million higher than the prior year, as well as maintenance capex and incentives which were $24.4 million lower than the prior year.

We believe AFFO is an important measure of financial performance and is aligned to the distributions we pay to investors. On a per security basis, AFFO per security was 51.8 cents, 3.0% higher than the prior year. The distribution payout ratio remains in line with free cash flow in accordance with Dexus's distribution policy. Dexus achieved a Return on Contributed Equity (ROCE) of 8.3% driven largely by AFFO and revaluation gains from completed developments at 180 Flinders Street, Melbourne and our industrial estate at Ravenhall, Victoria.

We maintained a strong and conservative balance sheet with gearing (look-through)[1] at 26.7%, well below our target range of 30-40%, while maintaining conservative debt maturities and hedging levels.

Further details in relation to our financial result can be found from page 28.

Contributing to Leading Cities

As a real estate investor, our high-quality properties contribute to the creation of leading cities. Being concentrated in Australia's major CBDs, we are ideally placed to help shape our cities as leading destinations to live, work and play. Government lockdowns in response to the pandemic have interrupted but not derailed the recovery of our CBDs, with international border closures resulting in a competitive employment market in the short-term.

We have been working alongside the Property Council of Australia advocating for a COVID-safe restoration of Australia's net overseas migration to drive long-term demand. Another critical ingredient to Australia's future prosperity is the reactivation of our CBDs, the true engine rooms of Australia's economic growth. During the year Dexus worked alongside key industry partners and city stakeholders to reinvigorate Australian CBDs and bring to life our purpose of creating spaces where people thrive (see page 44).

Notwithstanding the operating environment, we achieved significant leasing over the year which increased office portfolio occupancy to 95.2% and industrial portfolio occupancy to 97.7%.

Over recent years, buying quality properties has become increasingly competitive and we have undertaken developments as an efficient allocation of our capital. The group's $14.6 billion development pipeline provides the opportunity to organically grow and create value enhancing projects by growing the core property portfolio and those portfolios managed on behalf of our third party capital partners.

Further details in relation to our properties and developments can be found from page 42.

Developing Thriving People

Our people are responsible for ensuring our purpose of 'creating spaces where people thrive' comes to life, and we understand the importance of attracting and retaining a high-performing workforce.

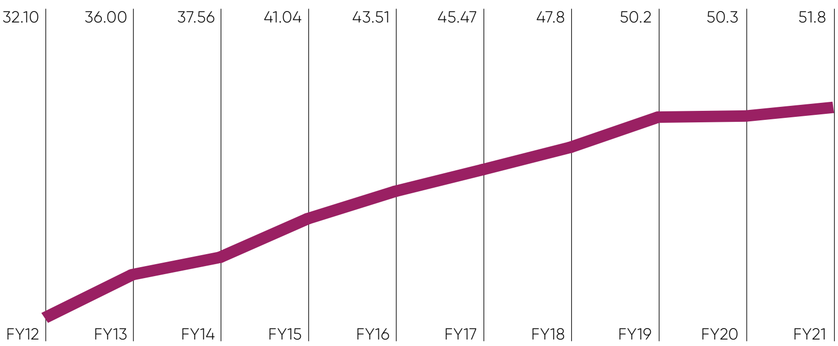
Our workforce is made up of people who have the capabilities and passion for supporting our customers and communities who work in and visit our buildings, and this is reflected in our high employee Net Promoter Score of +43 (out of a possible range of -100 to +100).

Our commitment to building an inclusive and diverse workforce ensures we bring new perspectives to what we do. We are included among a select group of Australian companies with an Employer of Choice for Gender Equality citation for 2020-21 from the Workplace Gender Equality Agency, and our support for LGBTI+ inclusion was reflected through achieving Bronze employer status in the Australian Workplace Equality Index.

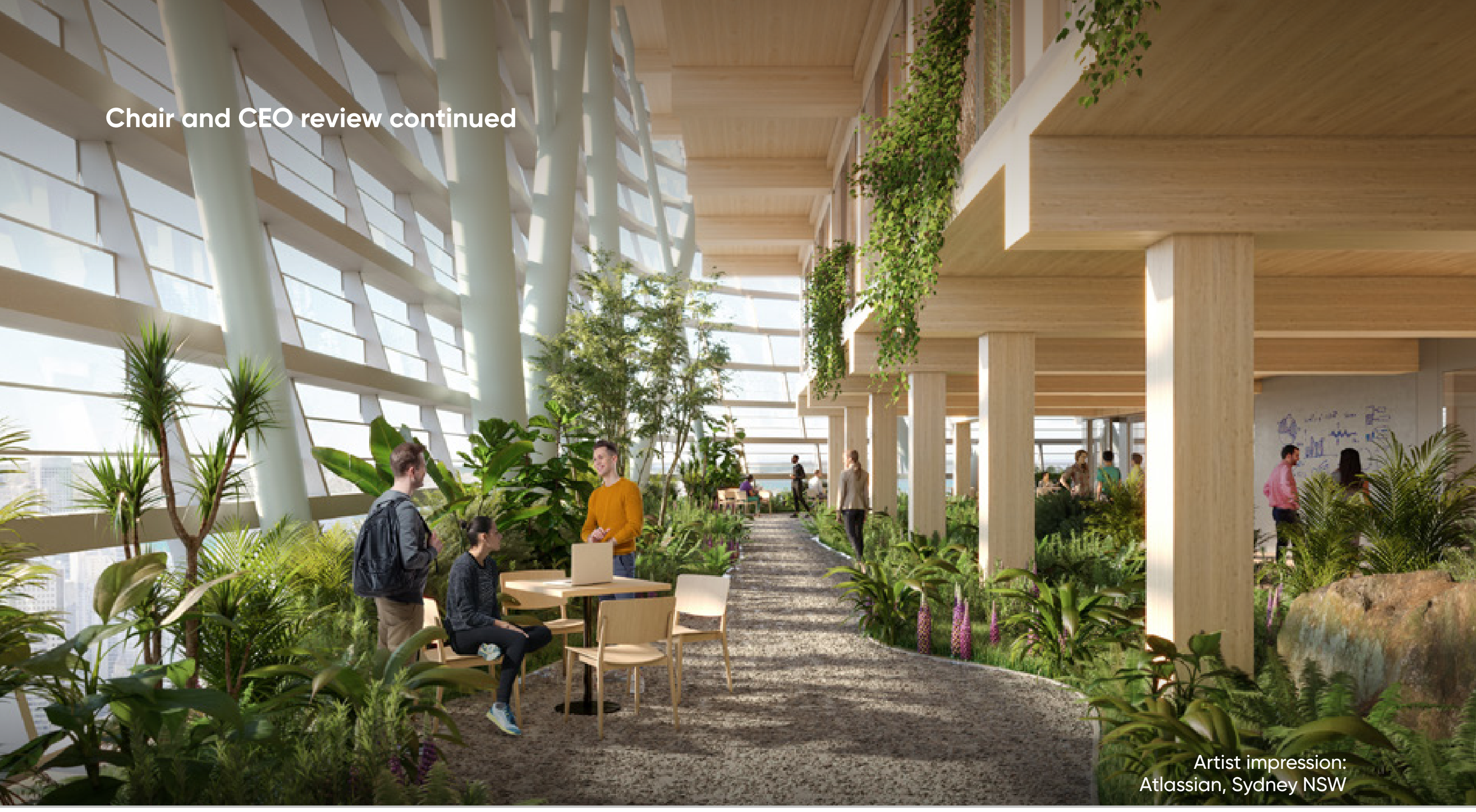
Our steadfast focus on safety continued this year and we maintained a score of 100% on independent external safety audits conducted across our corporate and building management office workspaces and Dexus Place workspaces.

Further details in relation to our people can be found from page 50.

History of Dexus distribution per security[2]
(Cents per security)



1 Adjusted for cash and debt in equity accounted investments. Excluding the impact of the contracted divestments of 60 Miller Street, North Sydney which settled on 3 August 2021, and Grosvenor Place, Sydney which is expected to settle in the first half of FY22.
2 Adjusted for the one-for-six security consolidation completed in FY15.



Artist impression:
Atlassian, Sydney NSW

Building enduring relationships with our customers, communities and suppliers

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

Insights from our annual customer survey help guide our customer strategy and this year's survey returned a high customer Net Promoter Score of +46 (out of a possible range of -100 to +100), despite the difficult operating environment and the disruption caused by embedding a new customer operating platform.

In response to our customers' increased adoption of flexible workplace practices, we progressed the addition of a new Dexus Place location in Melbourne which will include SuiteX and virtual office services, which will open later this year. We also progressed healthy buildings initiatives which are focused on adopting proven technologies to enhance the air quality within our buildings and provide a safe experience for people using our spaces.

During the year we established two major community partnerships with the Black Dog Institute and Planet Ark which align with the Dexus Sustainability Approach. Dexus will collaborate with these organisations to maximise its social impact in the communities in which it operates.

As a signatory to the UN Global Compact, we are committed to meeting the fundamental principles around human rights, labour, environment and anti-corruption. We collaborate with our suppliers to uphold human rights across our supply chain and our efforts in relation to preventing modern slavery are detailed in our 2021 Modern Slavery Statement.

Further details in relation to our customers, local communities and suppliers can be found from page 54.

Enriching the environment

Sustainability is integrated across our entire business. For more than a decade, we have been focused on energy efficiency as well as reducing the group's emissions and environmental footprint. We continued to manage our properties for carbon emissions and energy consumption, this year achieving 55% and 52% reductions respectively against our FY08 baseline. We also progressed our transition to renewable energy, securing new electricity supply agreements in Queensland and Victoria.

This forms part of our transition to 100% renewable electricity across the group-managed portfolio and plays a key role in reducing operational emissions.

Leveraging this, we have brought forward our target to achieve net zero emissions to 30 June 2022, advancing our original 2030 goal by eight years.

Our environmental, social and governance (ESG) performance continues to be acknowledged by external benchmarks, including being recognised as the Global Leader for Listed Entities for the Dexus Office Trust by the Global Real Estate Sustainability Benchmark (GRESB), maintaining our position on the CDP Climate A List, and for the second consecutive year achieving the number 1 ranking for the real estate industry in the Dow Jones Sustainability Indices (DJSI).

Further details in relation to how we support an enriched environment can be found from page 62.

55%

Reduction in carbon intensity since FY08 across the group managed portfolio

Recycling assets over the past year has enabled us to maintain the strength of our balance sheet while allocating capital towards new investment opportunities that offer strong growth prospects.

1 Bligh Street, Sydney NSW

High standard of governance

We instil robust governance practices and sound risk management at all levels of our business recognising the growing importance of ESG principles to all our stakeholders, including our investors, customers, our people and the broader community. We maintain a strong risk culture across the group and together, the Board and senior management remain focused on creating a culture where every employee has ownership and responsibility for acting lawfully and responsibly.

Our Board now comprises seven non-executive directors and one executive director. During the year, Warwick Negus was appointed as a new non-executive Director, and John Conde and Peter St George retired as directors on the Board after more than 11 years of service.

Further details relating to the Board and our governance practices can be found from page 72, as well as in the Corporate Governance Statement available at www.dexus.com

Summary and outlook

In the face of an uncertain operating environment, Dexus is well positioned to continue to deliver on its strategy, with its growing funds management business, quality property portfolio and strong balance sheet.

The continuing cycle of lockdowns will have an impact on business and consumer confidence, and we are prepared for this environment. The momentum experienced in our CBDs has been interrupted due to the recent lockdowns, but we expect activity to return to previous levels as the restrictions are eased. We have confidence in the future of cities and our ability to deliver sustained value for all our stakeholders over the long term.

We have demonstrated our ability to capitalise on opportunities while also being able to address challenges. Recycling assets over the past year has enabled us to maintain the strength of our balance sheet while allocating capital towards new investment opportunities that offer strong growth prospects.

Our ability to deliver long-term performance beyond the recovery is underpinned by our scale and capability across key real estate sectors, our funds management business which provides a capital efficient way to increase our exposure to growth sectors, and our substantial city-shaping development pipeline.

In the year ahead, our strategic objectives of generating sustainable income streams and being identified as the real estate investment partner of choice will see us continue to implement active leasing strategies to maximise office portfolio cash flow generation.

We will also invest in quality Australian real estate and developments while leveraging the funds management and development businesses to drive an improved return on capital.

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

Importantly, we thank you, our investors, for your continued investment in Dexus and we look forward to achieving sustained performance.

Richard Sheppard
Chair

Darren Steinberg
Chief Executive Officer

How we create value

Our purpose
To create spaces where people thrive

Our values
Openness and trust, empowerment, integrity

Operating environment

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

→ p.14

Key risks
Outlines the key risks and controls in place for mitigation

→ p.22

Our strategy

→ p.16

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

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

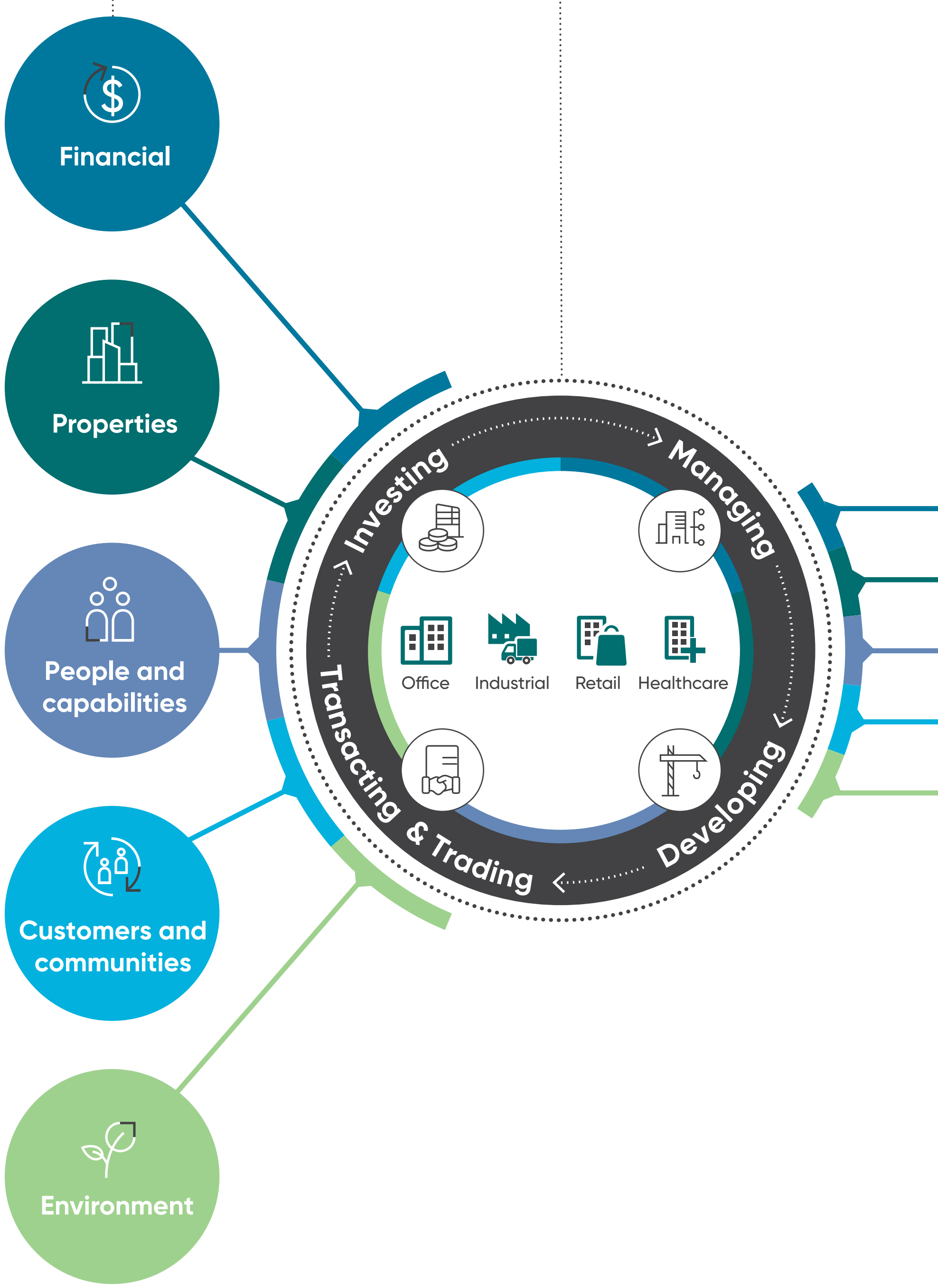
Strategic objectives
- Generating sustainable income streams
- Being identified as the real estate investment partner of choice

Key resources

→ p.18

Key business activities

→ p.20



Our sustainability approach

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

→ Sustainability Report 2021

Value creation outcomes

Sustained Value
→ p.28

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

VALUE DRIVERS
- Financial performance
- Capital management
- Corporate governance

Leading Cities
→ p.42

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

VALUE DRIVERS
- Portfolio scale and occupancy
- Economic contribution
- Development pipeline

Thriving People
→ p.50

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

VALUE DRIVERS
- Employee engagement
- Inclusion and diversity
- Health and safety

Future Enabled Customers and Strong Communities
→ p.54

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

VALUE DRIVERS
- Customer experience
- Community contribution
- Supply chain focus

Enriched Environment
→ p.62

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

VALUE DRIVERS
- Resource efficiency
- Climate resilience
- Green buildings

Megatrends

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

There are various megatrends that could impact Dexus's strategy and outlook, and we actively review them as the nature and potential of these trends can change over time. Since 2019, we have aligned our Annual Report with the *Integrated Reporting Framework* to meet increasing market demands to demonstrate how Dexus leverages ESG to create long-term value. The material topics from our materiality assessment (pages 26-27) define the 'value drivers' within the value creation framework on page 12 and are aligned to the megatrends identified.

		
Megatrend	**Urbanisation**	**Growth in pension capital fund flows**
Description	**Urbanisation in major cities is increasing with population growth leading to infrastructure investment and vibrant communities. This creates challenges for social equity, the environment, transport systems and city planning.**	**Funds under management within pension funds are expected to increase significantly as populations in developed nations continue to age. Real estate is expected to receive a higher share of capital allocation and benefit from cross border capital flows.**
Connection to key resources	Financial Properties Environment	Financial Properties
Implications for our business model and how we are responding	An investment in Dexus is an investment in Australia's cities. Our investments in quality properties in key CBD locations benefit from the concentration of knowledge industries. In addition, we are undertaking city-shaping developments to serve vibrant communities. We work closely with our third party capital partners, public authorities, real estate consultants, technology providers and the wider community in undertaking these activities. The COVID-19 pandemic is unlikely to permanently change the ongoing megatrend of urbanisation, however the design of offices will continue to evolve with flexible working trends. Our industrial portfolio stands to benefit from the logistics of providing goods to growing populations.	Dexus is a leading Australian real estate fund manager. Our funds management business provides wholesale investors with exposure to quality sector specific and diversified real estate investment products. These funds also have a strong track record of performance and benefit from leveraging the leasing, asset and property management capabilities provided by Dexus. We often invest alongside our third party capital partners on acquisition and development opportunities, enhancing alignment to our strategy to generate superior risk-adjusted returns. We expect that our funds management business will benefit from the megatrend of the growth in pension fund capital and cross border capital flows, through selectively expanding existing funds and launching new investment products where we believe a competitive advantage can be obtained.

Social and demographic change

Demographic trends such as the rise of millennials and the ageing population have implications for the design of workspaces and the spending on healthcare.

Customers & communities

People & capabilities

Workforce composition is increasingly diverse, and expectations for a seamless experience that enables collaboration and flexibility has never been greater. Our customers are increasingly adopting mobile technology and focusing on health and wellbeing. These customer trends influence the way we develop and operate our investments. They provide opportunities to develop new services.

Our focus is on delivering 'simple and easy' experiences that reduce pain points for customers, promote communities in and around our properties and enhance the health and wellbeing of our customers.

Ageing demographics will continue to underpin strong growth in healthcare spending and demand for healthcare services such as hospitals, medical centres and medical office buildings.

Technological change

Technological advancements in artificial intelligence, automation, big data and analytics are creating new jobs and driving mobility and collaboration in workplaces.

Properties

Customers & communities

People & capabilities

Technological advancement brings opportunities to further support our customers in their growth and productivity goals, and we are implementing innovative technologies in new developments to deliver a better customer experience and optimise workforce productivity.

Our smart buildings strategy enables connectivity and flexibility across workplace locations. The COVID-19 experience has increased our focus on touchless and virtual technology and improved air quality, the adoption of which makes our properties more attractive to our customers.

Our active industrial development pipeline supports the growth in ecommerce which appears to be driving significant growth in demand for industrial premises. Our commitment and investments in technology have been demonstrated through our partnership with the Taronga Ventures platform and fund. This will better position Dexus to secure first-mover advantage on next generation technology solutions for our business, customers and investors.

Climate change

It is now widely recognised that climate change is a risk to financial stability and is intensifying other environmental challenges such as resource scarcity. Climate challenges include impacts from extreme weather and longer-term climate changes, as well as the transition to a low carbon economy.

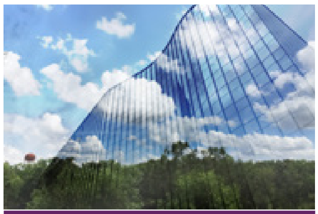
Financial

Environment

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

We are on the journey to achieve net zero emissions and have integrated risks and opportunities from climate change into our operations. We have brought forward our target to achieve net zero emissions across our group-managed portfolio from 2030 to 30 June 2022, in recognition of the need to take accelerated action in addressing the impacts of climate change.

We focus on supporting the physical and transitional resilience of our portfolio and work with stakeholders in our value chain to reduce their impacts through waste management and sustainable procurement.



Growth in sustainable investment

Sustainable investing is growing at a rapid rate both in Australia and around the world. To gain access to sustainable investment flows, businesses need to address the environmental, social and governance issues that are material to their ability to create value.

Financial

Environment

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

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

Strategy

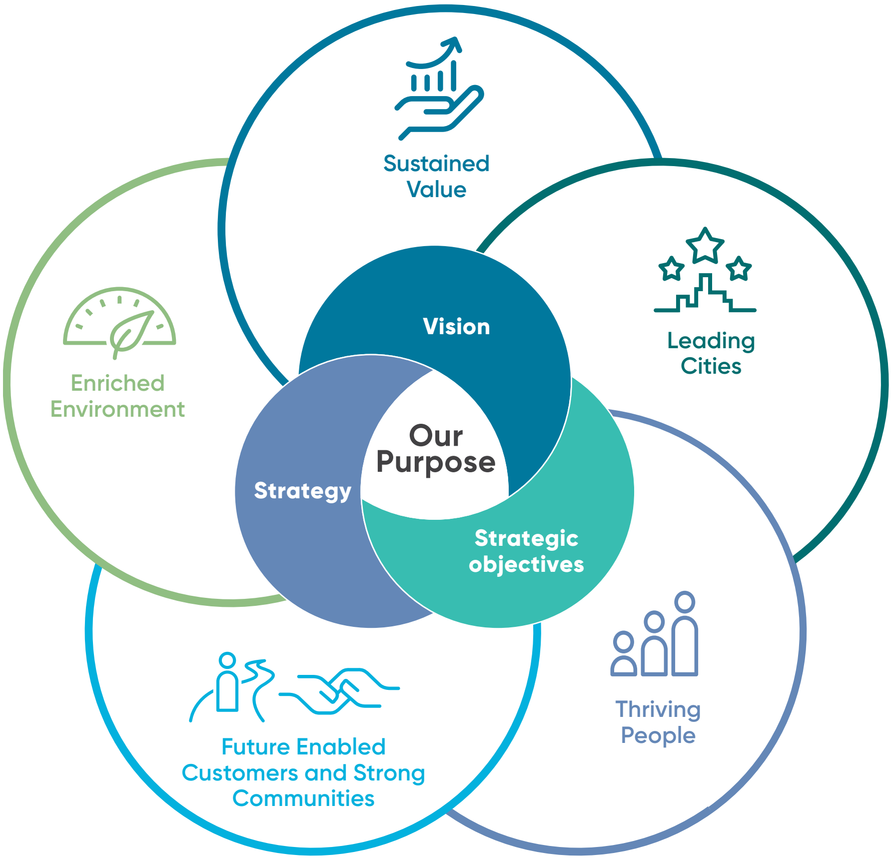
Our strategy remains focused on our core strengths of owning and managing high quality real estate in Australia's major cities to deliver superior risk-adjusted returns for investors.

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

We have built a fully integrated real estate platform and are focused on better leveraging our cross-sector asset management and development expertise to drive more capital efficient returns for investors, while remaining true to our identity as a long-term investor in high quality Australian real estate.

During the year, we maintained our focus on the strategic initiatives of increasing the resilience of portfolio income streams, expanding and diversifying the funds management business and progressing the group development pipeline. These initiatives have now been incorporated into revised strategic objectives that guide the next stage of our business evolution:

- **Generating sustainable income streams:** Investing in income streams that provide resilience through the cycle
- **Being identified as the real estate investment partner of choice:** Expanding and diversifying the funds management business



Our purpose:
To create spaces where people thrive

Our values:
Openness and trust, empowerment, integrity

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

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

Our strategic objectives:

Generating sustainable income streams
Investing in income streams that provide resilience through the cycle

Being identified as the real estate investment partner of choice
Expanding and diversifying the funds management business

We have invested in having a superior operating platform and will continue this focus to build a world-class business. The size of Dexus's balance sheet, deep access to pools of capital and an agile, solution-based culture are key enablers of our strategy, supported by our prudent approach to capital management and an embedded commitment to sustainability.

Our objectives of generating sustainable income streams and being identified as the real estate investment partner of choice complement each other. Our success has been demonstrated by the attraction of investment partners in the office, industrial and healthcare property sectors, in turn providing the opportunity to drive investment performance while obtaining scale in our core markets.

We have a clear goal of shifting incremental value creation, leveraging the funds management and development business to drive an improved return on capital.

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

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

What sets Dexus apart?

- Quality real estate portfolio located across key Australian cities
- High performing funds management business with diverse sources of capital
- Globally recognised leader in sustainability
- City-shaping development pipeline
- Superior transaction and trading capabilities
- Talented engaged, inclusive and diverse workforce

Artist impression: Waterfront Brisbane QLD

Key resources

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

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

The value that is created

How we measure value

Sustained Value

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

- Distribution per security
- Adjusted Funds From Operations (AFFO) per security
- Return on Contributed Equity (ROCE)

→ Page 28

Leading Cities

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

- Scale: value of property portfolio
- Customer demand and space use: portfolio occupancy
- Economic contribution: construction jobs supported and Gross Value Added (GVA) to the economy from development projects
- Development pipeline: value of group development pipeline

→ Page 42

Thriving People

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

- Employee engagement: employee Net Promoter Score
- Gender diversity: female representation in senior and executive management roles
- Health and safety: workplace safety audit score

→ Page 50

Future Enabled Customers and Strong Communities

Satisfied and successful customers supported by high performing workspaces and a comprehensive customer product and service offering.

Well connected, prosperous and strong communities within and around our properties.

A network of capable and effective supplier relationships that ensures ESG standards are maintained throughout our supply chain.

- Customer experience: customer Net Promoter Score
- Community contribution: total value contributed
- Supply chain economic contribution: number of supplier partnerships

→ Page 54

Enriched Environment

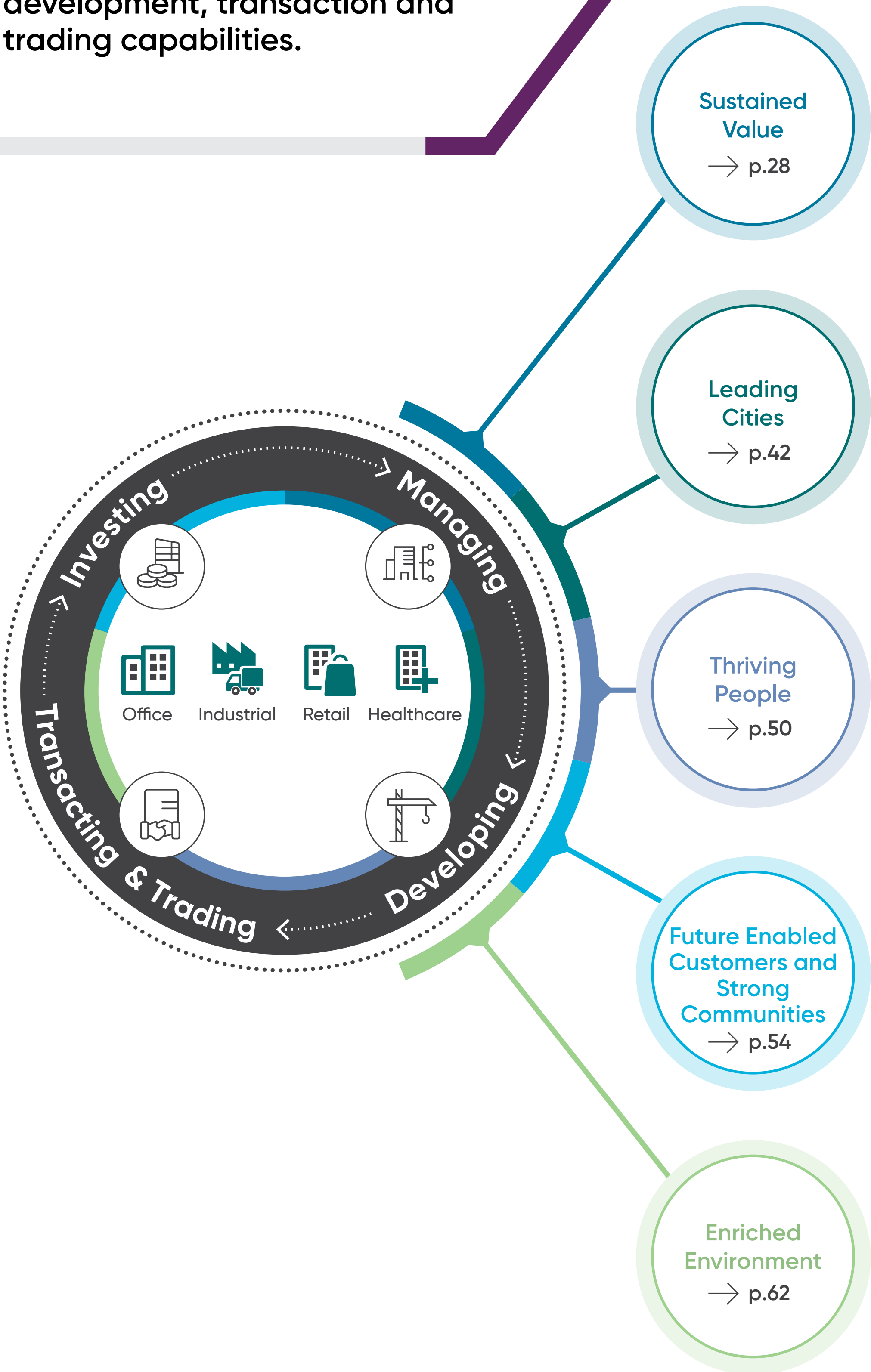
An efficient and resilient portfolio that minimises our environmental footprint and is positioned to thrive in a climate-affected future.

- Resource efficiency: energy and water reductions and waste management
- Climate resilience: Greenhouse gas emissions reductions
- Performance ratings: NABERS and Green Star ratings

→ Page 62

Key business activities

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



Our current operations comprise four key business activities of investing, managing, developing, transacting and trading high-quality properties located in Australia's major cities – each of which seeks to maximise cash flow and unlock value over the investment lifecycle.

Investing

Dexus invests in a directly held property portfolio, which is the largest driver of financial value (88% of Funds From Operations (FFO) for the financial year ended 30 June 2021), containing the Dexus owned office, industrial and healthcare portfolios. At 30 June 2021, Dexus directly owns a portfolio of 133 properties valued at $17.5 billion and manages a further $25.0 billion portfolio on behalf of third party capital partners.

Our investment track record has enabled Dexus to attract investment partners in the office, industrial and healthcare property sectors, in turn providing the opportunity to drive investment performance while obtaining scale in our core markets. We believe that scale supports the generation of investment outperformance for both Dexus investors and our third-party capital partners through broader customer insights, the provision of a greater range of workspace solutions and increased capacity to invest in people, systems and technologies that enhance our customers' experience

Managing

Dexus manages $42.5 billion of Australian real estate investments across the office, industrial, retail and healthcare asset classes. We utilise our asset and property management expertise to maximise cash flow for assets managed across the group. This active approach seeks to add value through leasing to diversify the customer mix and capitalise on the stage that we are at in the property cycle. Our in-house project delivery group assists in effectively managing downtime and delivering capital works projects in a timely manner.

Our ability to attract key strategic capital partners is testament to our experience and leading market position. We seek to be identified as the real estate investment partner of choice in Australia and have a strong track record of driving investment performance. We believe this track record positions us well to continue to attract like-minded third party capital partners and investors into our funds management business.

Developing

Dexus focuses on development opportunities that will enhance future returns and improve portfolio quality and diversification through leveraging our integrated real estate platform. At 30 June 2021, the group has a $14.6 billion group development pipeline. The pipeline includes committed and uncommitted projects across major Australian cities that support long-term growth for Dexus and our third party capital partners.

Development also delivers on our third party capital partners' strategies and provides organic growth in assets under management, and therefore revenue potential to Dexus. Dexus's direct share of the development pipeline is $8.1 billion with the remaining $6.5 billion across our funds management portfolio.

Transacting and trading

We utilise our multi-disciplinary expertise to identify, evaluate, and execute acquisition and divestment opportunities across a range of sectors and asset types. Dexus invests alongside our third party capital partners to access real estate with the objectives of improving portfolio quality and performance and achieving scale in our core markets.

We have a strong track record of investing capital at the right time in the property cycle, acting quickly and evolving our approach to secure opportunities while adhering to strict investment criteria. Our in-house trading capabilities support the identification, origination, evaluation and execution of opportunities across the office, industrial, healthcare and retail sectors and leverages our capabilities to achieve trading profits. Trading activities are undertaken with the intention of realising profits from the direct repositioning of assets in the short to medium term. These assets can either be acquired specifically for trading or identified within Dexus's existing portfolio as having a higher and better use through undertaking repositioning activities. We have delivered $441 million in trading profits (pre-tax) since FY12, achieving an average unlevered internal rate of return (pre-tax) of circa 28% per annum from our trading activities.

Key risks

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

Board focus

The Board Risk Committee is responsible for the Group Risk Management Framework, reviewing the adequacy and implementation of risk management processes, internal control systems and risk management resources. Areas of focus in FY21 included:

- Overseeing Dexus's ongoing response to the impact of the evolving COVID-19 situation
- Reviewing the key risks, their controls and mitigants, and measures set out in the Dexus Risk Appetite Statement
- Reviewing the management of digital disruption, cyber-security, privacy and data breaches including the adequacy of controls and disaster recovery testing to mitigate those risks
- Overseeing Dexus's approach to the management of Aluminium Composite Panel cladding risk across the portfolio
- Overseeing Dexus's organisational culture in collaboration with the Board People and Remuneration Committee

Key risk	Potential impacts
Health, safety and wellbeing Providing an environment that ensures the safety and wellbeing of employees, customers, contractors and the public at Dexus properties and responding to events that have the potential to disrupt business continuity.	– Death or injury at Dexus properties – Reputational damage – Loss of broader community confidence – Costs or sanctions associated with regulatory response – Costs associated with criminal or civil proceedings – Costs associated with remediation and/or restoration – Inability to sustainably perform or deliver objectives – Increased employee turnover or absenteeism
Strategic and financial performance Ability to meet market guidance, achieve the group's strategic objectives, generate value and deliver superior risk-adjusted performance.	– Reduced investor sentiment (equity and debt) – Loss of broader community confidence – Reduced credit ratings and availability of debt financing
Development Achieving strategic development objectives that provides the opportunity to grow Dexus's and our third party capital partners' portfolios and enhance future returns.	– Reputational damage – Fund mandates negatively impacted – Leasing outcomes impacting on completion valuations
Capital management Positioning the capital structure of the business to withstand unexpected changes in equity and debt markets.	– Constrained capacity to execute strategy – Increased cost of funding (equity and debt) – Reduced investor sentiment (equity and debt) – Reduced credit ratings and reduced availability of debt financing

Link to key resources	How Dexus is responding
Properties Customers & communities People & capabilities	As a priority we focus on the health, safety and wellbeing of our employees and the people in our buildings. We adopt a series of measures to ensure building and workplace health and safety is maintained in and around our properties. This includes ongoing monitoring and testing at existing assets and regular training provided to both employees and service providers. We apply comprehensive work health and safety programs and enforce compliance requirements by site contractors and employees, in accordance with Dexus's ISO 45001 certified Occupational Health and Safety Management System. We engage external consultants to identify and remediate health and safety issues relating to the fabric of properties across the portfolio, including facades. We maintain a business continuity management framework to mitigate safety threats, including the adoption of plans relating to crisis management, business continuity and emergency management. Responsiveness at each property is regularly tested through scenario exercises. Key performance indicators for reporting and resolution of security issues are embedded into contractor agreements at Dexus-managed assets. Our Safe & Well program supports the mental, physical, financial and work wellbeing of our people. Safe & Well provides a breadth of resources, designed to help our people to develop and maintain a healthy level of wellbeing.
Financial Properties Customers & communities	We have processes in place to monitor and manage performance and risks that may impact on performance. Our strategy and risk appetite are approved annually by the Board and reviewed throughout the year by management. The Investment Committee is responsible for the consideration, approval or endorsement, subject to delegated authority, of material investment decisions. Detailed due diligence is undertaken for all investment and divestment proposals, developments and major capital expenditure before approval or endorsement of each investment decision. We have a high-quality office portfolio with scale in key Australian CBDs and a diversified development pipeline across sectors and locations. Major capital projects are monitored by control groups to assess delivery and performance outcomes.
Financial Properties	Dexus has a strong development capability with a proven track record of delivering projects with a focus on quality, sustainability and returns that satisfy the evolving needs of our growing customer base. We have platform-wide expertise that drives our development performance and objectives, including design and costing, leasing, risk and compliance and insurance coverage.
Financial	Our prudent management of capital, including regular sensitivity analysis and periodic independent reviews of the Treasury Policy, assists in positioning Dexus's balance sheet in relation to unexpected changes in capital markets. We maintain a strong balance sheet with diversified sources of capital. Ongoing monitoring of capital management is undertaken to ensure metrics are within risk appetite thresholds benchmarks and/or limits outlined within the Treasury Policy. Further information relating to financial risk management is detailed in Note 13 of the Financial Statements.

Key risks continued

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

Our key risks incorporate insights and material topics relating to ESG from our materiality assessment process, described on pages 26-27.

Key risk	Potential impacts
Third party capital partners Real estate investment partner of choice for third party capital.	– Change in strategy and/or capacity of existing third party capital partners – Inability to attract new third party capital partners – Loss of confidence in governance structure and service delivery – Loss of funds management income
Cyber and data security Ability to access, protect and maintain systems and respond to major incidents including data loss, cyber security threats or breaches to information systems.	– Lack of resilience in our response to cyber security threats – Impact to our customers and/or third party capital partners – Loss of broader community confidence – Financial losses – Data integrity compromised – Loss or damage to systems or assets
Environmental and social sustainability Commitment to climate resilience and responding to the impacts of climate change, as well as focusing on having a positive social impact in the communities in which we operate.	– Increased costs associated with physical risks (e.g. asset damage from extreme weather) – Increased costs associated with transition risks (e.g. carbon regulation, requirements for building efficiency) – Inability to maintain access to capital due to reputational damage – Increased reputational risk for not supporting the community and social causes – Increased difficulties in leasing assets due to heightened risk of climate change impact
Compliance and regulatory Maintaining market leading governance and compliance practices.	– Sanctions impacting on business operations – Reduced investor sentiment (equity and debt) – Loss of broader community confidence – Increased compliance costs

Link to key resources	How Dexus is responding
Financial Properties Customers & communities	Our funds management model includes strong governance principles and processes designed to build and strengthen relationships with existing and prospective third party capital partners. Our active approach to engagement across the business enables employees to understand the interests of third party capital partners and design strategies to maintain partner satisfaction. Our Funds Management team also undertake a periodic client survey to understand perceptions and identify areas for improvement.
People & capabilities	We aim to have the most efficient systems and processes, including financial accounting and operational systems. Regular reviews of policies and procedures on information security are undertaken and align to the National Institute of Standards and Technology (NIST) Cyber Security Framework. We have comprehensive Business Continuity and Disaster Recovery plans in place which are tested annually. Regular training, testing and disaster recovery activities are conducted, along with the employment of data security software, to assist in reducing the risk of threats or breaches to data. We also educate and train our people on how to best protect their data.
Environment Customers & communities	We use scenario analysis to understand the broad range of climate-related issues that may impact our business and focus on enhancing the resilience of our properties while implementing energy efficiency initiatives and renewable energy projects. Dexus's approach to climate change risk management is disclosed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures across our Annual Reporting Suite (see page 65 in the 2021 Sustainability Report for an index). We established a Social Impact Strategic Framework in FY21 that is aligned with Dexus's Sustainability Approach and designed to streamline community activities and maximise the value created for Dexus and the communities in which it operates. We are committed to ensuring our operations provide quality jobs with the right conditions and collaborate with our suppliers to understand how we can contribute to upholding human rights across our supply chain, including preventing modern slavery.
People & capabilities	Our compliance monitoring program supports our comprehensive compliance policies and procedures that are regularly updated to ensure the business operates in accordance with regulatory expectations. Our employees and service providers receive training on their compliance obligations and are encouraged to raise concerns where appropriate. We maintain grievance, complaints and whistleblower mechanisms for employees and stakeholders to safely, confidently and anonymously raise concerns. Independent industry experts are appointed to undertake reviews where appropriate.

Key risks continued

Key risk	Potential impacts
Organisational culture Ability to maintain a respectful, open and inclusive culture which reflects our values and embraces diversity of thought.	– Decreased business performance – Inappropriate conduct leading to reputational or financial loss – Poor employer branding leading to inability to attract talent – Regrettable employee turnover and associated increased costs – Reduced investor sentiment (equity and debt)
Talent and capability Ability to attract and retain the best talent to deliver business results.	– Decreased business performance – Negative impact to customer relationships – Decline in workforce productivity – Increased workforce costs – Loss of corporate knowledge and experience

Materiality assessment

The concept of materiality supports Dexus's approach to managing ESG risks and opportunities because it:

- Ensures that the business focuses on the issues of greatest importance to its particular industry and business model
- Communicates to the market that the business has a strong understanding of how ESG impacts value creation, which in turn increases market confidence.

Recognising this, Dexus has completed regular materiality assessments since as early as 2011 to inform its sustainability approach and reporting, as detailed in the 2021 Sustainability Report on pages 6-7. Our most recent external materiality assessment was completed in 2020. For 2021, we undertook an internal management review of key megatrends and material topics because we deemed it not necessary to conduct an external assessment this year.

Dexus consulted with representatives from the following teams during its 2021 management review:

- Research
- Group Strategy
- Developments
- Funds Management
- Smart Building Technology
- Customer Insights and Initiatives
- Finance
- Governance
- Risk
- Investor Relations
- Sustainability
- People & Culture

Based on the key megatrends, the 2021 materiality assessment confirmed the nine material topics which help structure our reporting and are a major consideration for how we evolve our sustainability approach over time.

These nine material topics did not change from FY20 and formed the basis for identifying material matters for value creation as defined by the International Integrated Reporting Council <IR> Framework, which are disclosed as 'value drivers' within our value creation framework on page 12.

Link to key resources	How Dexus is responding
People & capabilities	We foster a culture and employee experience that aligns and continually reinforces the group's purpose statement, including our aspirations, values and behaviours. Our employee listening strategy enables employees to provide real-time feedback on their experience, as well as anecdotal and anonymous feedback via regular pulse surveys throughout the year. Insights gained are used to understand organisational culture and identify potential challenges that may require additional focus. Psychological safety and inclusion are central to the design of employee experiences, policies and protocols. We invest in our employees' development and reward their achievement of sustainable business outcomes that add value to our stakeholders.
People & capabilities	We aim to attract, develop and retain an engaged and capable workforce that can deliver our business results both today and in the future. Professional development is undertaken at all organisational levels to drive continuous learning and engagement of our employees. Talent reviews are conducted at regular intervals to monitor and respond to emerging talent risks and opportunities and to inform succession plans for key and critical roles. External talent mapping is undertaken for critical roles.

Megatrend	Material topic	Value drivers
Urbanisation	Expanding our economic impact on Australian cities	> Portfolio scale and occupancy > Economic contribution > Development pipeline > Green buildings
Growth in pension capital fund flows	Ensuring high standards of corporate governance and transparency	> Corporate governance
Technological change	Deploying smart building technology along with mobile and virtual technology to enhance the customer experience	> Customer experience
Social and demographic change	Championing an inclusive and high-performing culture	> Employee engagement > Inclusion and diversity
	Prioritising safety and wellbeing in our workplace and at our assets	> Health and safety > Customer experience
Climate change	Maintaining a portfolio resilient to the physical impacts of climate change	> Climate resilience
	Managing the use of resources efficiently	> Resource efficiency
	Supporting the transition to a low carbon economy through net zero emissions	> Resource efficiency
Growth in sustainable investment	Upholding a social licence to operate by meeting stakeholder expectations for sustainability performance	> Community contribution > Supply chain focus

Artist impression:
Atlassian, Sydney NSW

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

Board focus

Financial performance is a key focus area for the Board and Board Audit Committee. In FY21, the Board and Board Audit Committee were involved in:

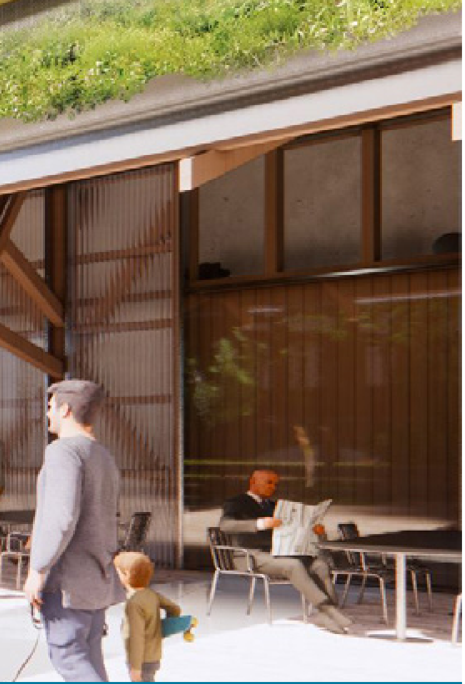
- Considering and approving Dexus's financial reports, audit reports, market guidance, distribution details, funding requirements and liquidity, as well as property portfolio valuation movements and internal audit program
- Approving the group's Financial KPIs and scorecard, in addition to annual and half year results materials
- Endorsing the adoption of the ASIC financial reporting relief
- Approving the implementation of the Simplification of the Dexus corporate structure
- Approving the group's capital management initiatives
- Approving Dexus's co-investment commitment in DREP1
- Approving Dexus entering into an implementation agreement for the merger of DWPF with ADPF
- Approving the establishment of the Mercatus Dexus Australia Partnership and the partnership's acquisition of a 33.33% interest in 1 Bligh Street, Sydney
- Approving an agreement between Dexus and Australian Unity Healthcare Property Trust (AUHPT) relating to future investment and development of healthcare real estate and Dexus making a $180 million cornerstone investment in AUHPT

Our financial resources are the pool of funds available to us for deployment, which includes debt and equity capital, as well as asset recycling activities and profits retained from our property, funds management, development and trading activities. This also includes the financial capital from our third party capital partners which we invest on their behalf.

During the year, we maintained our focus on the strategic initiatives of increasing the resilience of portfolio income streams, expanding and diversifying the funds management business and progressing the group development pipeline. These initiatives have now been incorporated into revised strategic objectives that guide the next stage of our business evolution:

- **Generating sustainable income streams:** Investing in income streams providing resilience through the cycle
- **Being identified as the real estate investment partner of choice:** Expanding and diversifying the funds management business

The scale of our balance sheet and deep access to pools of capital are key enablers of our strategy, supported by our prudent approach to capital management.



Sustained Value

51.8cents
Distribution per security
FY20: 50.3 cents

51.8cents
AFFO per security
FY20: 50.3 cents

8.3%
Return on Contributed Equity
FY20: 9.0%

Earnings drivers

Our earnings are driven by three key areas:

- **Property portfolio:** the largest driver of financial value, comprising revenue from the Dexus owned office and industrial portfolio
- **Funds management:** a growing driver of financial value, providing access to wholesale sources of financial capital, and enabling a growing annuity-style income stream for Dexus investors
- **Trading:** an established driver of financial value that involves the packaging and sale of properties to generate trading profits

How we measure financial performance

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

Group performance

Dexus's activity drove a solid financial result for the year. From a challenging starting position during the pandemic with the provision of no guidance in August 2020, the Board was able to provide guidance in October 2020 for a distribution per security amount consistent with FY20. Guidance was upgraded in May 2021 to 3% growth in distribution per security, predominantly driven by better-than-expected outcomes across the property portfolio, as well as delayed settlements of asset sales and other initiatives across the business. This guidance was delivered upon, with the achievement of a full year distribution of 51.8 cents per security, reflecting 3% growth and resulting in a 5.5% compound annual growth rate since FY12.

This result was also achieved despite the ongoing impacts of the pandemic on our customer base and the extension of the National Commercial Code of Conduct in Victoria and Western Australia remaining in place until the end of March 2021, which saw rent relief provided to impacted small and medium enterprise customers.

Despite the volatile operating environment caused by the pandemic, FY21 was characterised by increased leasing activity, strong rent collections, the selective recycling of assets and reinvestment into resilient assets as well as several initiatives to grow our funds management business.

Dexus's group development pipeline now stands at a cost of $14.6 billion, of which $8.1 billion sits within the Dexus portfolio and $6.5 billion within third party funds. In addition, we have identified a further $1.6 billion opportunities across the group from recent platform initiatives.

The Dexus stapled corporate structure was simplified in July 2021, enabling the group to generate further operational efficiencies while providing improved optionality for potential future funds management initiatives. We also capitalised on security price volatility to enhance investor returns, buying back 15,636,917 Dexus securities via the on-market buy back for a total consideration of $136 million.

Future focus

To learn more about our future Financial commitments refer to page 70.

Learn more

To learn more about our progress against our FY21 Sustained Value approach and commitments, refer to the 2021 Sustainability Report available at **www.dexus.com**

145 Ann Street, Brisbane QLD

Group performance continued

Net profit after tax was $1,138.4 million, up 17% primarily due to an increase in Dexus's share of net profits from equity accounted investments and a favourable net fair value movement of derivatives and foreign currency interest bearing liabilities, partly offset by lower fair value gains on owned investment properties.

The external independent valuations resulted in a total estimated $584.0 million or circa 3.5% increase on prior book values for the 12 months to 30 June 2021, with a stronger uplift achieved in the second half of the year. These revaluation gains primarily drove the 56 cent or 5.1% increase in net tangible asset (NTA) backing per security to $11.42 at 30 June 2021.

Operationally, Underlying Funds From Operations (excluding trading profits) of $666.6 million was 4.1% lower than the prior year, impacted by divestments and continued impacts of the pandemic across the property portfolio and management business, partly offset by income from recently completed developments.

Key drivers included:

- Property FFO reduced by $15.1 million driven by the divestment of 45 Clarence Street and 201 Elizabeth Street, Sydney, the full-year impact of the divestment of the second tranche of assets sold to DALT, alongside rent relief and provisions associated with the pandemic, partly offset by development completions. Rent collections were strong at 98.1% in FY21
- Management operations FFO reduced by $13.8 million due to the transition of the Australian mandate, the continued impacts of the pandemic on revenue, combined with a normalisation of costs following non-recurring cost reduction measures in FY20. These impacts were offset by new funds and other initiatives that are expected to drive strong growth in FY22
- Other FFO improved, driven by a reduction in underlying tax expense

Despite the reduction in Underlying Funds from Operations, AFFO was $11.2 million or 2.0% higher than the prior year driven by:

- Trading profits of $50.4 million (net of tax) were $15.1 million higher than the prior year, with four trading projects contributing to the FY21 result
- Maintenance capex and incentives of $155.3 million were $24.4 million lower than the prior year
- On a per security basis, AFFO and distributions per security were 51.8 cents, 3.0% higher than the prior year, and the distribution payout ratio remains in line with free cash flow in accordance with Dexus's distribution policy
- We continued to maintain a strong and conservative balance sheet with gearing (look-through)[1] of 26.7% remaining well below our target range of 30-40%

1 Adjusted for cash and debt in equity accounted investments. Excluding the impact of the contracted divestments of 60 Miller Street, North Sydney which settled on 3 August 2021, and Grosvenor Place, Sydney which is expected to settle in the first half of FY22.

Case study

Simplification provides improved flexibility to expand funds management business

In February 2021, Dexus announced that it was considering making changes to simplify its corporate structure.

Dexus's corporate structure was a legacy of its history and contained four stapled trusts – Dexus Diversified Fund (DDF), Dexus Industrial Trust (DIT), Dexus Office Trust (DOT) and Dexus Operations Trust (DXO). The Simplification involved "tophatting" each of DDF, DIT and DOT with a newly established trust called Dexus Property Trust (DPT) to form a dual stapled group comprising DXO and DPT.

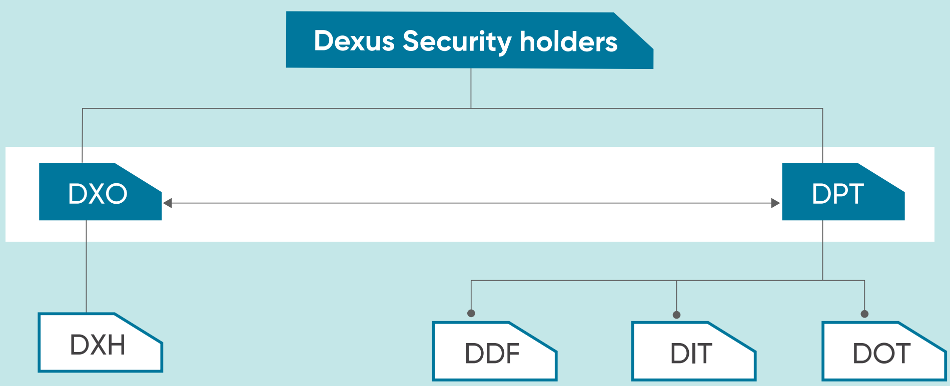
Dexus Funds Management Limited, as the Responsible Entity of each of the four trusts that comprise Dexus, considered the proposed changes and determined that they were in the best long term interests of Security holders.

The Simplification provides Dexus with an improved ability to expand and diversify its funds management business through greater flexibility in meeting the investment demand from investors for real estate assets. It also reduces complexity, resulting in administrative efficiencies relating to the reduced number of external financial statements required to be produced, and potentially reduces the reporting requirements for Security holders.

Further, Dexus will potentially be able to provide broader Capital Gains Tax rollover relief to people who receive or become Dexus Security holders as a result of any merger or acquisition activity that Dexus subsequently engages in. Dexus sought determinations relating to stamp duty and a Class Ruling from the Australian Tax Office to confirm that CGT scrip-for-scrip rollover relief was available to Australian resident Security holders. Following the receipt of stamp duty determinations, the Board determined that the Simplification continued to be in the best interests of Security holders.

The Simplification was approved at an Extraordinary General Meeting in April 2021 and was implemented on 6 July 2021. The new Stapled Securities commenced trading on the Australian Securities Exchange on 7 July 2021.

Simplified group structure



Group performance continued

Valuation movements	Total FY21	30 Jun 2021	31 Dec 2020
Office portfolio	$189.5m	$156.7m	$32.8m
Industrial portfolio	$376.8m	$264.8m	$112.0m
Total portfolio[1]	**$584.0m**	**$422.9m**	**$161.1m**

Weighted average capitalisation rate	30 Jun 2021	30 Jun 2020	Change
Office portfolio	4.91%	4.97%	-6bps
Industrial portfolio	4.92%	5.66%	-74bps
Total portfolio	**4.91%**	**5.05%**	**-14bps**

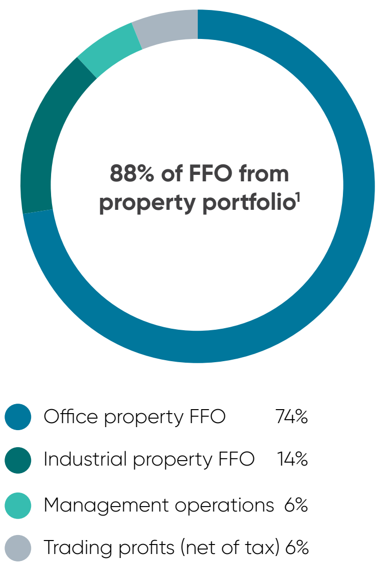
1 Includes healthcare property revaluation gain of $17.7 million and excludes leased assets revaluation movement of $(0.6) million.

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

Key financials	FY21	FY20	Change
Funds From Operations (FFO) ($m)	717.0	730.2	(1.8)%
Net profit after tax ($m)	1,138.4	972.7[5]	17.0%
AFFO per security (cents)	51.8	50.3	3.0%
Distribution per security (cents)	51.8	50.3	3.0%
ROCE (%)	8.3	9.0	(0.7) ppt
Net tangible asset backing per security ($)	11.42	10.86	5.1%
Gearing (look-through)[1] (%)	26.7[2]	24.3[3]	2.4 ppt

FFO composition	FY21 $m	FY20 $m	Change %
Office property FFO	658.3	671.4	(2.0)%
Industrial property FFO	122.2	124.2	(1.6)%
Total property FFO	**780.5**	**795.6**	**(1.9)%**
Management operations[4]	57.7	71.5	(19.3)%
Group corporate	(35.4)	(33.0)	7.3%
Net finance costs	(130.5)	(127.4)	2.4%
Other (including tax)[6]	(5.7)	(11.8)	(51.7)%
Underlying FFO	**666.6**	**694.9**	**(4.1)%**
Trading profits (net of tax)	50.4	35.3	42.8%
FFO	**717.0**	**730.2**	**(1.8)%**

1 Adjusted for cash and debt equity accounted investments.
2 Excluding the impact of the contracted divestments of 60 Miller Street, North Sydney which settled on 3 August 2021 and Grosvenor Place, Sydney which is expected to settle in the first half of FY22.
3 Proforma gearing adjusted for cash and debt in equity account investments. Look-through gearing at 30 June 2020 was 26.3%.
4 Management operations income includes development management fees.
5 Includes a prior year $10.3m (post tax) restatement for IFRIC SaaS customisation expenses.
6 Other FFO includes non-trading related tax expense, healthcare and investment income and other miscellaneous items.



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

Statutory profit reconciliation	FY21 $m	FY20 $m
Statutory AIFRS Net profit after tax	**1,138.4**	**972.7[4]**
Gains from sales of investment property	(6.0)	(0.1)
Fair value gain on investment property	(583.4)	(612.4)
Fair value (gain)/loss on the mark-to-market of derivatives	102.4	2.5
Incentives amortisation and rent straight-line[1]	154.7	127.5
Non-FFO tax expense/(benefit)	3.2	3.3
Other unrealised or one-off items	(92.3)	236.7[4]
Funds From Operations (FFO)[2]	**717.0**	**730.2**
Maintenance capital expenditure	(72.0)	(59.1)
Cash incentives and leasing costs paid	(29.9)	(41.9)
Rent free incentives	(53.4)	(78.7)
Adjusted Funds From Operations (AFFO)[3]	**561.7**	**550.5**
Distribution	**561.0**	**550.3**
AFFO Payout ratio (%)	99.9	100.0

1 Including cash, rent free and fit out incentives amortisation.
2. Including Dexus share of equity accounted investments.
3. AFFO is in line with the Property Council of Australia definition.
4. Includes a prior year $10.3m (post tax) restatement for IFRIC SaaS customisation expenses.

Group outlook

While the current lockdowns have injected an element of uncertainty into the outlook for FY22, there are reasons to be positive about the prospects for real estate. At this stage, the lockdowns appear likely to interrupt but not derail the broader economic recovery. Much depends on their duration.

The year ahead is still expected to be a year of improving occupier demand for real estate in most sectors and markets. In addition, investment demand for quality real estate is likely to remain supported by low interest rates.

Gateway, 1 Macquarie Place, Sydney NSW

Funds management performance

Dexus manages $25.0 billion of funds on behalf of a diversified mix of investors.

Our strategic objective of being the real estate investment partner of choice in Australian property and track record of driving investment performance enables us to attract long-term and stable capital partners to invest alongside through the cycle. Dexus remains an attractive Australian real estate partner of choice across the office, industrial, retail and healthcare sectors.

All funds delivered solid performance to 30 June 2021, with:

- DWPF continuing to outperform its benchmark over 3, 5, 7 and 10 years
- DHPF continued to deliver strong performance achieving a one-year return of 18.1%
- All other established vehicles[1] outperforming benchmarks since inception

Dexus's FY21 financial result was impacted by the continued impacts of the pandemic on revenue, combined with a normalisation of costs following non-recurring cost reduction measures in FY20 and the transition of the Australian mandate.

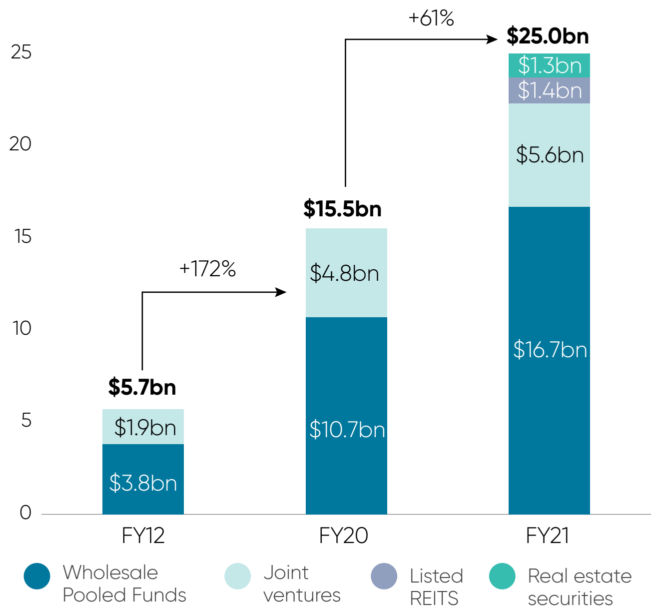
These impacts were partly offset by new funds and other initiatives that are expected to drive strong growth in FY22.

During the year however we continued to execute on strategic initiatives, attracting new capital and enhancing the funds platform through various initiatives including:

- Obtaining approval for the merger of Dexus Wholesale Property Fund and AMP Capital Diversified Property Fund, establishing a pathway to create an enhanced investment proposition for both sets of unitholders
- Establishing the Mercatus Dexus Australia Partnership (MDAP) joint venture with Mercatus Co-operative Limited. MDAP exchanged contracts to acquire a 33.3% interest in 1 Bligh Street, Sydney for $375 million in which Mercatus holds an indirect 90% share in MDAP with Dexus holding the remaining 10%
- Growing the scale of Dexus Healthcare Property Fund (DHPF), acquiring the Australian Bragg Centre in Adelaide (in 50/50 co-ownership with Dexus) for $446 million, alongside four other healthcare property acquisitions and completion of the fund-through acquisition of the North Shore Health Hub in St Leonards, NSW
- Establishing the Dexus Real Estate Partnership 1, the first in a planned series of closed-end opportunity funds

In July 2021, APN Property Group (APN) securityholders voted in favour of Dexus's proposal to acquire all of the stapled securities in APN for an all-cash consideration of 91.5 cents per security. The transaction increases Dexus's suite of funds on offer outside of wholesale funds into listed REITs, real estate securities funds and unlisted direct property funds. The transaction also expands Dexus's investor network to include retail and high net worth capital.

Management operations FFO



1. Includes vehicles established prior to 30 June 2019.

Case study

Merger positions DWPF as largest wholesale Australian diversified fund

The successful merger of DWPF and ADPF will deliver enhanced value to both sets of unitholders through a high-quality diversified fund of scale.

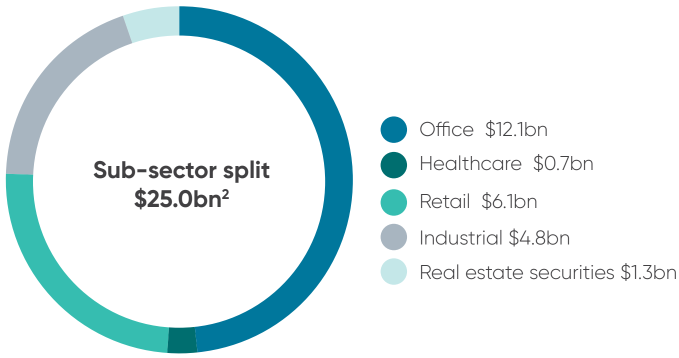
In March 2021, Dexus and DWPF entered into an Implementation Agreement with the Independent Board Committee of ADPF, a circa $5.6 billion[1] high-quality diversified property fund which had accumulated a meaningful volume of redemption requests from existing ADPF Unitholders.

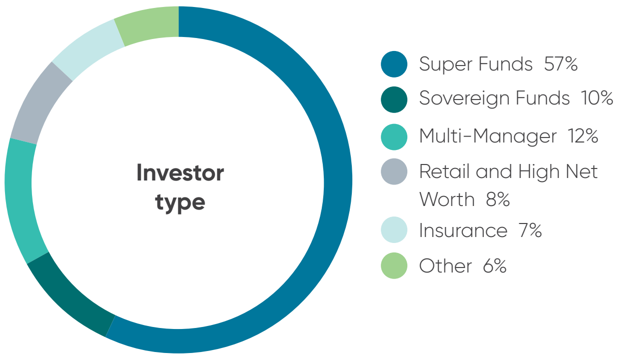
The Implementation Agreement followed a six-month period of discussions with the ADPF Responsible Entity and engagement with ADPF Unitholders, and proposed a merger of the two funds and a pathway to create an enhanced proposition for both sets of unitholders through:

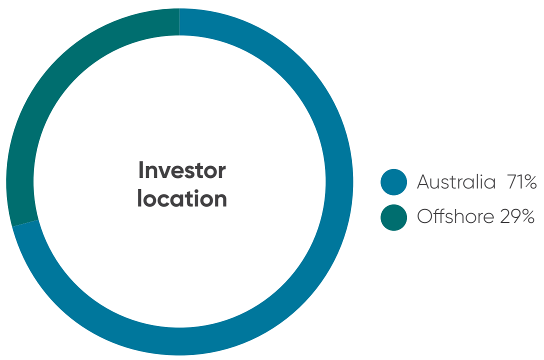
- Continuing to execute on DWPF's investment strategy as ADPF assets are integrated to drive performance and deliver further economies of scale from a management, procurement and leasing perspective
- Further diversifying DWPF's portfolio and investor base while solidifying its position as a globally significant diversified real estate wholesale fund
- Circa $50 million of transaction costs for both ADPF and DWPF being covered by Dexus
- The expected satisfaction of approximately $2 billion of ADPF Unitholder redemption requests on a pro rata basis over an approximate 18-month window through the divestment of a number of ADPF assets, circa $400 million of which would be acquired by Dexus to provide upfront liquidity (subject to pre-emptive rights and approvals), and
- The stapling ADPF with DWPF post the 18-month redemption window

In April 2021, both sets of unitholders approved the merger, signalling their confidence in Dexus's abilities to deliver enhanced value.

Dexus funds management business composition







1. Prior to circa $2bn of redemptions to existing ADPF unitholders.
2. Prior to circa $2bn of redemptions to existing ADPF unitholders and proforma for the acquisition of APN Property Group which was approved on 27 July 2021 as well as settlement of MDAP's 33.3% interest in 1 Bligh Street, Sydney which occurred on 8 July 2021.

Diversified management business across 20 vehicles

Our suite of unlisted vehicles is shown below and includes three open-ended funds and seven joint ventures or partnerships. Our acquisition of APN Property Group, which was approved in July 2021 and implemented in August 2021, adds 10 new vehicles to the platform – two listed funds across circa $1.5 billion, five property securities funds across circa $1.3 billion and three closed-end direct real estate funds across circa $140 million.

Open for investment

DWPF | dexus

Dexus Wholesale Property Fund

$16.0bn[2]

- Established 1995
- Diversified portfolio of 54 assets[2]
- Outperformed benchmark over 3, 5, 7 and 10 years

DHPF | dexus

Dexus Healthcare Property Fund

$1.2bn[3]

- Established 2017
- Innovative property portfolio of eight assets
- 12-month total return of 18.1% (post-fees)

DREP 1 | dexus

Dexus Real Estate Partnership 1

New Fund

- First in a planned series of closed-end opportunity funds
- Finalising first close
- Identified pipeline of investment opportunities

Approved proposal

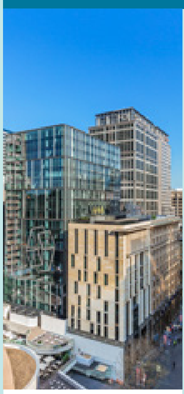
APN | Property Group

APN Property Group acquisition

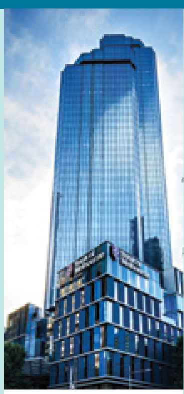
$2.9bn

- Takeover of an existing funds management platform that includes a real estate securities fund, listed and unlisted direct property funds
- Approved at Security holder vote in July 2021 and implemented in August 2021

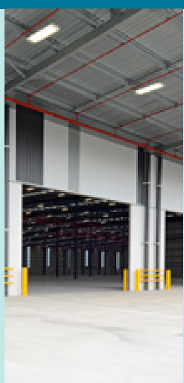
Joint ventures and partnerships



DOTA | dexus



DACT | dexus



DITA | dexus

AIP | dexus

DALT | dexus

MDAP | dexus

TARONGA VENTURES

Taronga Ventures Partnership

New partnership

> Established 2020

> Platform and fund investment

> Partnership with large, reputable real estate companies

> Investing into next generation solutions

1 All figures as of 30 June 2021 unless otherwise stated.
2 DWPF and Dexus ADPF merged portfolio. Prior to circa $2 billion of redemptions.
3 Includes Dexus ownership interest and value of assets under development.

About Dexus Wholesale Property Fund (DWPF)

Dexus's flagship fund DWPF is an open-ended unlisted fund with a prime quality diversified Australian portfolio across office (51%), retail (35%) and industrial (14%) property sectors.

The funds are conservatively geared with DWPF gearing at 15.2% and Dexus ADPF gearing at 9.2% With access to diverse funding sources. DWPF has raised $7.8 billion of equity to fund acquisition and development initiatives since 2010, contributing to its track record of outperformance as well as strong and consistent growth in FUM.

In addition, DWPF has a strong track record of providing liquidity to investors as well as selectively recycling properties in accordance with its Investment Plan, which is updated at least annually.

In April 2021 DWPF's proposed merger with ADPF was approved by both sets of unitholders, further diversifying DWPF's portfolio and investor base while solidifying its position as a globally significant diversified real estate wholesale fund.

ADPF's $5.6 billion portfolio has now been integrated onto Dexus's platform, with circa $2 billion of redemption requests from existing ADPF unitholders expected to be satisfied on a pro rata basis over an approximate 18-month period through the divestment of a number of these assets. DWPF and ADPF will be stapled post the completion of the redemption window.

DWPF is a GRESB Global Sector Leader for diversified office/retail entities (listed and unlisted).

Funds management outlook

We are pleased to have progressed two large scale strategic initiatives during the year, accelerating the diversification of our funds platform. Our continued investment in building relationships with existing and prospective third party capital partners, combined with our commitment to delivering performance and meaningful ESG outcomes, enhance our prospects for attracting further capital.

Our funds management business's current exposure is 48% to office properties, 19% to industrial properties, 24% to retail properties, 3% to healthcare properties and 5% to real estate securities.

Office and industrial property performance is expected to be influenced by the key leading indicators described on pages 38-39.

The outlook for office and industrial property is described on page 40. Activity in the retail sector received a boost during 2020, with online sales and total sales both running ahead of average. Growth rates are now converging back to more normal levels. Performance of shopping centres has varied by centre type with smaller supermarket-based neighbourhood centres performing better than large regional centres. There are now signs that the fortunes of larger shopping centres could begin to improve. Discretionary spending (including department stores, household goods, apparel, footwear and entertainment) exceeded non-discretionary spending (mainly food and groceries) for the first time in several years. While retail turnover growth is expected to ease from current elevated levels as the stimulus wears off, it should still be supported over the next year by a falling unemployment rate, positive consumer sentiment and low mortgage interest rates.

Having weathered the pandemic relatively well, Australia's healthcare sector is well positioned to take advantage of the longer-term thematics of growth in health spending and ageing of the population. Like other sectors, the landscape for health is changing. The acceleration of trends such as telehealth will contribute to an evolution of the sector. Another trend is the shift towards day surgery and shorter hospital stays which broadens the investment opportunities beyond traditional regional hospitals. There are also growing links between healthcare and tertiary education with the establishment of a number of health campuses incorporating medical office buildings that cater to research, treatment and learning.

Investors continue to demonstrate significant interest in healthcare and alternative asset classes. Demand for healthcare services will continue to benefit from ageing demographics, longer life expectancy and population growth. The pandemic has highlighted the role of high-quality healthcare infrastructure and the sector tends to be resilient to downturns.

Property portfolio performance

We remained focused on maximising the performance of the property portfolio through maintaining high occupancy, with the property portfolio contributing to 88% of FFO in FY21.

Office portfolio performance

Dexus manages a high-quality $26.0 billion group office portfolio, $14.0 billion of which sits in the Dexus portfolio.

During the year, we leased 184,029 square metres of office space across 339 transactions, as well as 11,068 square metres of space across office developments, locking in future income streams.

Office portfolio occupancy reduced to 95.2% driven by Melbourne properties where leasing has been impacted by extended lockdowns, which offset occupancy increases at 2 Dawn Fraser Avenue, Olympic Park, 25 Martin Place (previously known as MLC Centre), Australia Square and 60 Castlereagh Street in Sydney.

We are encouraged by the increase in enquiry levels, particularly from smaller customers in Sydney and Melbourne, which translated into leasing achievements during the year.

From our survey and conversations with our customers, it is clear that workplace flexibility is here to stay, but to different degrees depending on the organisation. Our business is well placed to accommodate workplace flexibility as it relates to physical spaces through our flexible product offering.

Customer conversations around the future of work have reinforced the importance of well-located high quality office space located in key CBD locations which will continue to attract talented workforces and remain leading work and entertainment destinations. 80 Collins Street, Melbourne and 25 Martin Place, Sydney are key examples of this.

Our focus on minimising downtime and maintaining high occupancy has been supported by our quality portfolio, with a number of examples of organisations centralising into CBDs from a diverse range of industries.

Office portfolio key metrics

95.2%
Occupancy
FY20: 96.5%

4.6yrs
WALE
FY20: 4.2 years

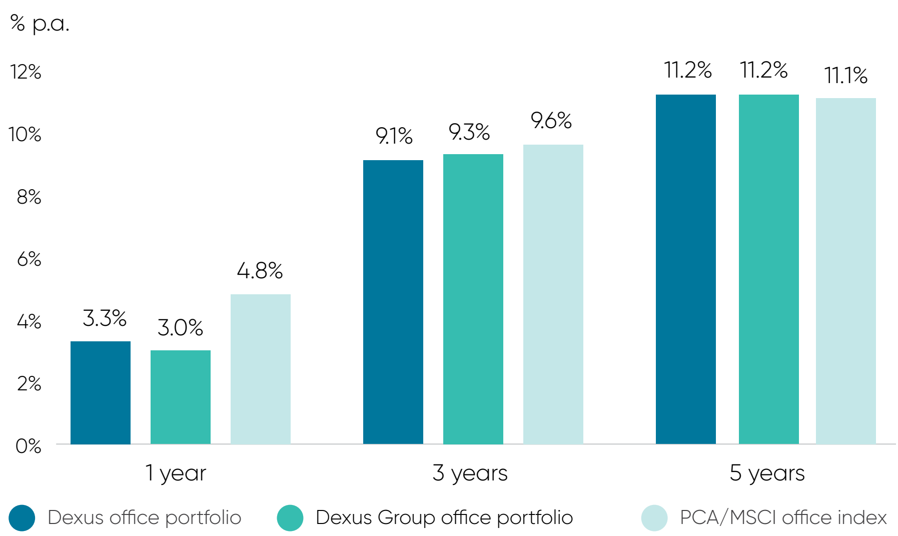
184,029sqm
Space leased[1]

+2.3%
Effective LFL income[2]
FY20 +4.7%

24.9%
Average incentives[1]
FY20: 17.1%

1. Excluding development leasing.
2. Excluding rent relief measures and a provision for expected credit losses. Including these impacts: Effective +0.9% and Face +1.3%.

Dexus office portfolio vs PCA/MSCI office index at 31 March 2021*



* Period to 31 March 2021 which reflects the latest available PCA/MSCI Australia Annual Property Index.

Industrial portfolio key metrics

97.7%
Occupancy
FY20: 95.6%

4.4yrs
WALE
FY20 4.1 years

445,428sqm
Space leased[1]

+3.7%
Effective LFL income[2]
FY20: +0.1%

19.1%
Average incentives
FY20: 13.4%

1. Including development leasing.
2. Excludes rent relief and provision for expected credit losses. Including these impacts: Effective +4.5% and Face +2.2%.

Face rents remain largely unchanged in the core CBD markets; however effective rents are under pressure as incentives continue to increase. There is potential for incentives to decline early in the calendar year 2022 in Sydney and Premium grade Melbourne assets, albeit the latest lockdowns could slow the rate of improvement.

Office portfolio like-for-like income growth[2] was +2.3% (FY20: +4.7%), excluding the impact of rent relief measures and provisions for expected credit losses (including these impacts FY21: +0.9% and FY20 +2.4%). The Dexus office portfolio delivered a one-year return of 5.7% at 30 June 2021 and the Dexus office portfolio outperformed its benchmark over the five-year time period to 31 March 2021.

Industrial portfolio performance

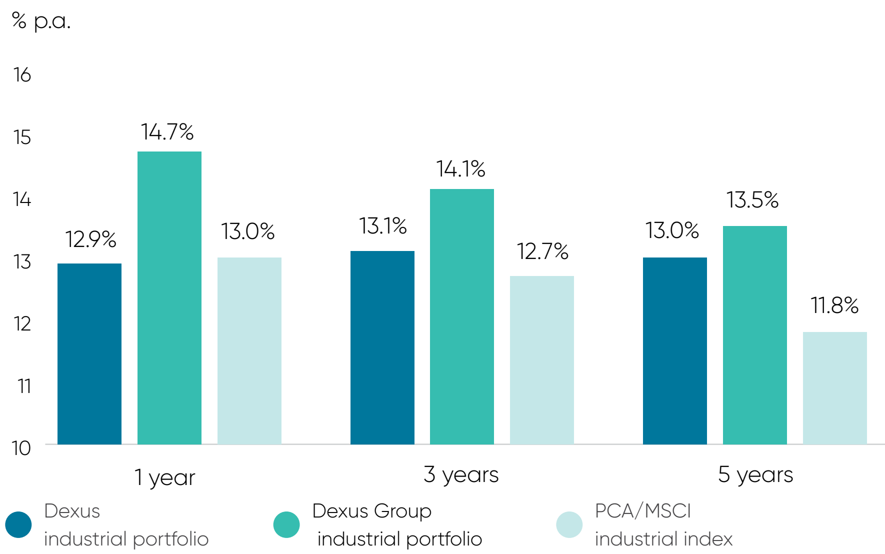
Dexus manages a growing, high-quality $7.8 billion group industrial portfolio, $3.0 billion of which sits in the Dexus portfolio.

During the year, we leased an exceptional 445,428 square metres of industrial space across 116 transactions, with the portfolio continuing to benefit from logistics and ecommerce demand.

Portfolio occupancy increased from 95.6% at FY20 to a three-year high of 97.7%, driven by successful leasing at Axxess Corporate Park and Lakes Business Park North. Weighted average lease expiry by income and committed space at key developments both also increased.

Industrial portfolio like-for-like income growth[2] was +3.7% (FY20: +0.1%) excluding the impact of rent relief measures and provisions for expected credit losses (including these impacts: FY21 +4.5% and FY20 -2.1%). The Dexus industrial portfolio delivered a one-year return of 23.5% to 30 June 2021 and outperformed its benchmark over the three and five-year time periods to 31 March 2021.

Dexus industrial portfolio vs PCA/MSCI industrial index at 31 March 2021*



* Period to 31 March 2021 which reflects the latest available PCA/MSCI Australia Annual Property Index.

Property market outlook

After an uncertain year for office markets, an improvement in key leading indicators such as job advertisements signals a period of strengthening demand ahead. The recovery was apparent in leasing markets with positive net absorption across the major CBD office markets in the June quarter.

Physical occupancy levels have steadily increased over the past six months and should keep moving back towards pre-COVID levels in the year ahead as less people work from home.

Generally high vacancy rates are likely to keep rents weak and incentives elevated over the next year. Positively, the outlook for office demand will be underpinned by healthy white-collar employment growth, which is projected to grow at a rate of 1.8% per annum over the next decade, commensurate with past growth.

The industrial sector has been surprisingly resilient over the past 12 months. Growth in retail turnover and a surge in ecommerce has led to above average levels of take-up in key markets of Sydney and Melbourne. Demand in the industrial sector has been driven by occupiers including food and beverage retailers, ecommerce groups, transport and logistics providers, data centres, cold storage and pharmaceuticals. Face rents have been flat or up depending on location. Investment demand has been strong, yields have tightened and land values have increased.

Trading performance

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

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

We realised $50.4 million of trading profits (net of tax) in FY21 through:

- Exercising the option to sell the remaining 25% interest in 201 Elizabeth Street, Sydney NSW which settled in August 2020
- Entering into agreements to sell a portfolio of six trading assets (Truganina VIC and Lakes Business Park South, Botany NSW) to the Dexus Australian Logistics Trust (DALT) across two tranches, with the first tranche settling in October and December 2020 respectively
- Completing the North Shore Health Hub development in March 2021

In addition, Dexus settled on the sale of 436-484 Victoria Road, Gladesville on 9 August 2021 and entered into a put and call option arrangement on 13 August 2021 to sell a recently acquired trading asset at 22 Business Park Drive, Ravenhall.

For FY22 we have already secured trading profits of $25-$30 million (pre-tax) relating to 436-484 Victoria Road, Gladesville NSW and the second tranche of the portfolio of six industrial assets sold to DALT, as well as 22 Business Park Drive, Ravenhall VIC. Further, we have identified three new opportunities to replenish the trading pipeline, with the potential to contribute to trading profits in future years.

Financial position

- Total look-through assets increased by $537 million primarily due to $409 million of acquisitions, $444 million of development capital expenditures and $584 million of property valuation increases, partially offset by $931 million of divestments
- Total look-through borrowings decreased by $64 million due to divestments, partly offset by funding required for acquisitions, the security buy back as well as development capital expenditure
- Total number of securities on issue decreased slightly following the on-market buy back

Financial position

	30 Jun 2021 $m	30 Jun 2020 $m
Office investment properties	13,895	14,171
Industrial investment properties	2,904	2,233
Healthcare investment properties	282	140
Other[1]	1,017	1,124
Total tangible assets	**18,098**	**17,668**
Borrowings	(5,003)	(5,067)
Other liabilities	(815)	(750)
Net tangible assets	**12,280**	**11,851**
Total number of securities on issue	1,075,565,246	1,091,202,163
NTA ($)	**11.42**	**10.86**

1 Adjusted for cash and debt in equity accounted investments. Excludes the $76.6m (FY20: $73.2m) deferred tax liability on management rights.

Capital management

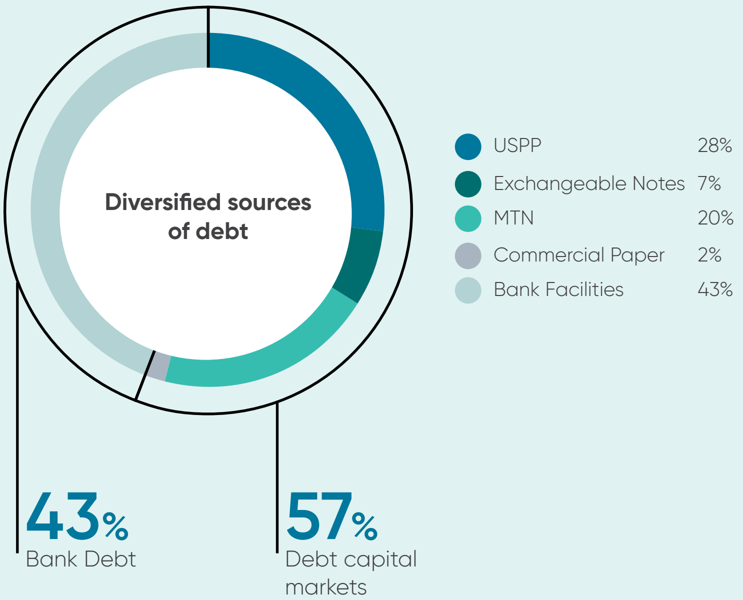
We continued to maintain a strong and conservative balance sheet with gearing (look-through)[1,2] of 26.7% below our target range of 30-40%, and $1.1 billion of cash and undrawn debt facilities.

In the 12 months to 30 June 2021, 15,636,917 Dexus securities were acquired on market at pricing ranging from $8.42-$9.40, resulting in 1,075,565,246 securities on issue at the end of the financial year.

Dexus's simplified corporate structure was approved by Security holders and recommended by the Board of DXFM prior to 30 June 2021, with implementation occurring on 6 July 2021.

Dexus has manageable debt expiries over the next 12 months and remains within all of our debt covenant limits and continue to retain our strong credit rating of A-/A3 from S&P and Moody's respectively.

Our strong balance sheet provides capacity to deliver on our strategic objectives at a competitive cost of funding.



Capital management metrics

Key metrics	30 Jun 2021	30 Jun 2020
Gearing (look-through)[1] (%)	26.7[2]	24.3[3]
Cost of debt[4] (%)	3.2	3.4
Duration of debt (years)	6.2	6.9
Hedged debt[5] (incl caps) (%)	81	78
S&P/Moody's credit rating	A-/A3	A-/A3

1. Adjusted for cash and debt in equity accounted investments.
2. Excluding the impact of the contracted divestments of 60 Miller Street, North Sydney which settled on 3 August 2021, and Grosvenor Place, Sydney which is expected to settle in the first half of FY22.
3. Proforma gearing adjusted for cash and debt in equity accounted investments. Look-through gearing at 30 June 2020 was 26.3%
4. Weighted average for the year, inclusive of fees and margins on a drawn basis.
5. Average for the year. Hedged debt (excluding caps) was 68% for the 12 months to 30 June 2021 and 62% for the 12 months to 30 June 2020.

Properties

QV retail, 180–222 Lonsdale Street, Melbourne VIC

As one of Australia's largest owners and managers of real estate, our high-quality sustainable properties contribute to the creation of leading cities.

Board focus

From a property perspective, the Board approves acquisitions, divestments, and developments. In FY21, the Board was involved in:

- Approving the divestment of: Grosvenor Place, 225 George Street, Sydney on behalf of Dexus and DOTA (Dexus holds total 37.5% interest); 436-484 Victoria Road, Gladesville (trading asset); 60 Miller Street, North Sydney; and 10 Eagle Street, Brisbane on behalf of DOTA (Dexus holds 50% interest)
- Approving the acquisition of: Australian Bragg Centre, Adelaide in a 50/50 co-ownership with DHPF; a 49% interest in a holding trust that owns Capital Square Tower 1, Perth; and OzProp Cold Store Portfolio, Queensland
- Approving binding terms which provide a framework to fund, develop and invest in Atlassian's new headquarters at 8-10 Lee Street, Sydney

Creating spaces where people thrive

As a real estate company our properties are central to how we create value. We actively manage our property portfolio to enhance its potential, while unlocking further value through development to further enhance quality, or for higher and better uses.

Underpinned by our customer-centric approach, we utilise our asset and property management expertise to optimise building efficiency and maintain high occupancy levels. The activation of our development pipeline enhances portfolio quality, while providing our third party capital partners with co-investment opportunities and the opportunity to create places where our customers can thrive.

Contributing to Leading Cities

Our investment portfolio comprises mainly prime CBD offices in Australia's gateway cities and includes some of the country's most iconic and irreplaceable assets such as One Farrer Place, Australia Square and 25 Martin Place (formerly MLC Centre) in Sydney, Rialto Towers in Melbourne, Waterfront Place in Brisbane and 240 St Georges Terrace in Perth. We believe these locations are where our customers want and need to be, and we demonstrated this commitment by investing in and developing new generation properties such as 1 Bligh Street, 5 Martin Place, One Farrer Place and 25 Martin Place (formerly MLC Centre) in Sydney, 480 Queen Street and Waterfront Place in Brisbane, and 80 Collins Street and Rialto Towers in Melbourne.

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

Sydney
1,431,505
square metres

Melbourne
1,291,622
square metres

Brisbane
431,703
square metres

Perth
122,202
square metres

Adelaide
113,786
square metres

Leading Cities

95.2%
Dexus office portfolio occupancy

97.7%
Dexus industrial portfolio occupancy

$42.5bn
Value of group property portfolio

$1.27bn
Gross Value Added (GVA)[1] to the Australian economy

7,980
Construction jobs supported[2]

$14.6bn
Group development pipeline

One of the key megatrends influencing our business model is urbanisation. In Australia, our major cities contribute around 80% to national GDP. The CBDs are the engine room for most of this economic activity, supporting hundreds of thousands of businesses and millions of jobs. Urbanisation is supported by the growth drivers of strong long-term population growth and record levels of infrastructure investment which enhance our cities' accessibility, liveability and sustainability. Our investment and value creation potential is closely linked to the success of Australia's major cities which are recognised for their amenity, ease of access, and place to do business.

Government lockdowns in response to the pandemic have interrupted but not derailed the recovery of our CBDs, with international border closures resulting in a competitive employment market in the short-term. We have been working alongside the Property Council of Australia advocating for a COVID-safe restoration of Australia's net overseas migration to drive long-term demand. We expect physical occupancy of office buildings will return to previous levels as restrictions are eased.

Flexible working is here to stay, but CBDs will remain core hubs for business, entertainment, transport nodes and organisations seeking to attract and retain key talent.

Our diversified group portfolio is well-positioned to continue to deliver sustained value in a post-COVID environment. We continue to expand our offering into leading workplaces of the future; our industrial portfolio is strategically located in highly accessible markets, servicing the growing demand of ecommerce customers; and as we expand our footprint in healthcare real estate, we are meeting the demand of a growing population for quality healthcare infrastructure.

Our $14.6 billion development pipeline includes committed projects and near-term projects along with longer-term city-shaping projects providing us with a strong platform for organic growth and value-creating opportunities. We utilise our capability to secure development sites and create the next generation of buildings, ideally helping in shaping our cities for the future as desirable places to live, work and play, while contributing to job creation and economic growth.

Our approach towards Leading Cities

Our Leading Cities approach involves:

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

Future focus

To learn more about our future Properties commitments refer to page 70

Learn more

To learn more about our progress against our FY21 Leading Cities commitments, refer to the 2021 Sustainability Report available at **www.dexus.com**

1. Total Gross Value Added (GVA) includes estimated direct GVA and indirect GVA generated to the economy by developments completed in FY21 and currently underway. Source: Urbis, Dexus.
2. Total construction jobs include direct and indirect employment supported by developments completed in FY21 and currently underway. Source Urbis, Dexus.

Case study

Collaborating to drive the recovery of Australian CBDs

Dexus has worked alongside key industry partners and city stakeholders to reinvigorate CBDs around Australia and bring to life our purpose of creating spaces where people thrive.

Attracting customers back to the CBD on a Friday

A collaborative Property industry initiative was launched in May this year to give people and workers a reason to return to city centres on a Friday, with a coordinated program of activations and attractions rolled out across Dexus's Melbourne and Brisbane properties.

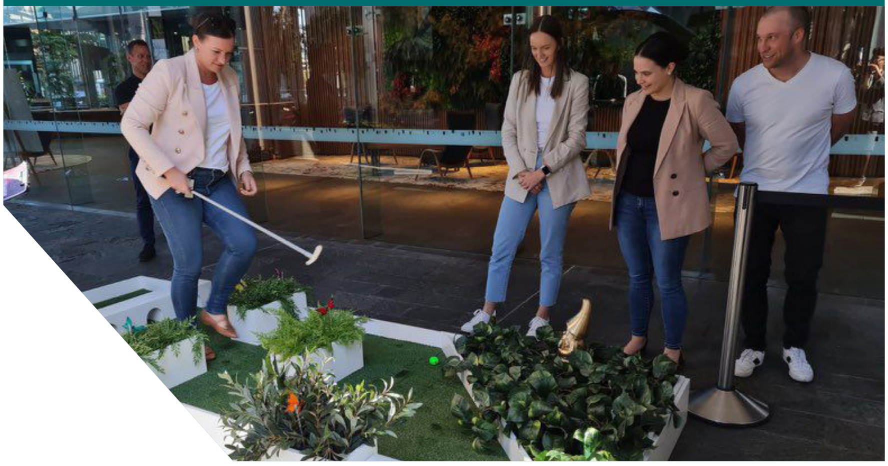
As people returned to offices in the post-pandemic period, office occupancy data compiled by the Property Council of Australia indicated they were tending to opt to work from home on Mondays and Fridays – traditionally the day when CBD workers spent the most money on retail and hospitality.

More than any city in Australia, Melbourne endured months of COVID-19 restrictions. FOMO Fridays showcased the best of Melbourne's CBD with a program of free events and activations designed to reignite the excitement of being in the CBD on a Friday, along with free public transport to attract workers back to the office.

At its new 80 Collins Street development, Dexus collaborated with the Melbourne Food and Wine Festival to host progressive dining events, light sculpture laneway installations and various retail offers. At QV Melbourne, customers could have their cosmic cards read or enjoy the pop-up cocktail bar with guest DJs. At Rialto, shoppers enjoyed shop front art installations, and at Galleria, there were interactive arcade games with prize giveaways.

In Brisbane, the Fridays in the City initiative brought together reactivation efforts in partnership with Brisbane City Council and other CBD stakeholders. Dexus manages eight office buildings in Brisbane, including 480 Queen Street and Waterfront Place which includes Eagle Street Pier. A host of lobby activations including mini putt-putt, table tennis, tarot reading, 'paint and sip' classes and happy hours were offered to customers who visited the city on a Friday.

Following the success of this initiative in Melbourne and Brisbane, similar initiatives are planned for Australia's other CBDs.



How we are positioned

A key part of our strategy in driving superior risk-adjusted returns involves actively recycling assets to capitalise on investment demand and reallocating capital into acquisitions that complement our investment portfolio and customer offering, while enhancing returns.

The resilience of values for quality assets increased our confidence to allocate capital towards new investment opportunities that offered strong growth prospects. Over the year we acquired the Ford Facility development at Merrifield Business Park, Melbourne, and grew our direct investments in healthcare real estate through a 50% interest in the development of the Australian Bragg Centre, Adelaide, while establishing a new healthcare relationship that resulted in a $180 million investment in the Australian Unity Healthcare Property Trust (AUHPT) and providing future opportunities to invest in certain aspects of AUHPT's healthcare development pipeline. Post 30 June 2021, the announcements of Dexus's involvement in developing and investing in Atlassian's new headquarters in Sydney's Tech Central precinct and the acquisition of a 49% interest in Capital Square Tower 1, Perth expanded our offering into leading workplaces of the future and reinforced our focus on creating spaces where people thrive.

Our leasing efforts drive portfolio occupancy which is a key contributor to cash flow optimisation. Enquiry levels increased throughout the year which translated into leasing, with the Dexus office portfolio maintaining high occupancy at 95.2% (FY20: 96.5%).

Our industrial portfolio continued to benefit from logistics and ecommerce demand, with occupancy increasing to 97.7% (FY20: 95.6%).

Over recent years, buying quality properties has become increasingly competitive and we have undertaken developments as an efficient allocation of our capital. Our focus on progressing our developments is helping to satisfy the demand for quality product in the healthcare and industrial sectors from both our customers and third party capital partners.

This year we completed the development at the North Shore Health Hub in St Leonards, delivering high quality healthcare infrastructure integrated within an established health precinct. In Melbourne, we completed the hotel at our landmark 80 Collins Street, and the development of 180 Flinders Street delivering a vibrant new office tower, refurbishment of the existing heritage offices, with the building façade fully restored to its former glory.

In Sydney, construction continued at 25 Martin Place (formerly MLC Centre), a project that will transform the retail offering over four levels, enhance the ground floor plane for the office tower and reactivate the Theatre Royal.

Progressing our city-shaping development pipeline, we received planning approvals for Waterfront Brisbane, and are progressing through Stage 3 of the Unsolicited Proposal (USP) process for Central Place Sydney and lodged planning applications. We also progressed an agreement that will enable us to fund, develop and invest in Atlassian's new headquarters which is located adjacent to Central Place Sydney. Together these developments will anchor Sydney's Tech Central and position the precinct as a key driver of innovation and growth in the Asia Pacific region and significantly contribute to large-scale urban change in Sydney. A planning amendment application for an expanded scheme was also lodged for 60 Collins Street, Melbourne.

We continued to build out our industrial pipeline, completing circa $450 million of developments over the year and increasing the size of the group's industrial portfolio to 2.6 million square metres. On completion of the group development pipeline, the group's industrial portfolio would grow to $9.4 billion across 3.4 million square metres.

We recognise the significant opportunity to grow our industrial pipeline as customers benefit from multiple tailwinds and seek to drive operational efficiencies in modern, well-located facilities. Industrial projects were added to our committed development pipeline including increasing the scale of existing industrial development projects underway and securing land for future industrial development adjacent to the existing industrial estate at Horizon 3023 (see case study on this page).

Case study

Continued momentum accelerates industrial development leasing

Strong demand for high quality logistics facilities to support the growing needs of ecommerce and other growth businesses continues to underpin the activation of Dexus's industrial developments across the east coast of Australia.

The momentum across Dexus's industrial development business has resulted in significant leasing being achieved at Horizon 3023 estate in Ravenhall, Victoria, well ahead of the original target.

Horizon 3023 is a masterplanned industrial estate in Melbourne's Western Corridor with convenient access to freight and logistics networks. The 127 hectare site was acquired in June 2018, and is owned by Dexus Australian Logistics Trust (DALT) (in which Dexus owns a 51% interest) and Dexus Wholesale Property Fund (DWPF).

Dexus is developing up to 450,000sqm of prime commercial and industrial property on the site comprising modern large scale high-tech manufacturing, logistics and warehousing facilities, with an estimated $620 million investment over the life of the development. On completion, Horizon 3023 is expected to support around 5,000 to 6,000 jobs.

The estate's first tenant, food manufacturer and distributor Scalzo Foods, was secured last year and its 35,300sqm purpose-built facility was completed in December 2020. A pre-commitment with Hello Fresh was also achieved last year for a circa 25,500sqm facility which was completed in June 2021.

In FY21, an additional 6.8 hectares of land, adjacent to the existing industrial estate, was acquired to improve the existing masterplan and provide the opportunity to create additional industrial product to respond to an active leasing market.

During the year, Amazon Australia committed to a circa 36,700sqm facility that will be the retailer's fulfilment centre servicing the Melbourne market. Pre-commitments were secured with Electrolux (c.20,000sqm) and Mitre10 (c.50,900sqm), while build-to-lease commitments were secured with e-Store (c.17,500sqm) and Myer (c.40,000sqm).

These leases take commitments at Horizon 3023 to circa 226,000sqm. Along with an adjacent speculative building of 60,000sqm to be constructed to leverage synergies in the project delivery, new buildings are now committed or under construction across 63% of the expanded developable area, with 50% of the estate leased, 24% above the original leasing forecasts.

450,000sqm
of prime commercial and industrial property being developed in Melbourne's Western Corridor

Amazon Australia committed to a circa
36,700sqm
facility that will be the retailer's fulfilment centre servicing the Melbourne market

Properties continued

NSW

25 Martin Place, Sydney

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

Project status: committed

Project cost: $210 million

Ownership: 50% Dexus, 50% DWPF

Expected completion: early 2022

Artist impression:
25 Martin Place, Sydney NSW

Central Place Sydney, Sydney

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

Project status: uncommitted

Expected project cost: circa $1.1 billion[1]

Ownership: 25% Dexus, 25% Dexus Office Partner

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

Artist impression:
Central Place Sydney, Sydney NSW

Artist impression: Atlassian, Sydney NSW

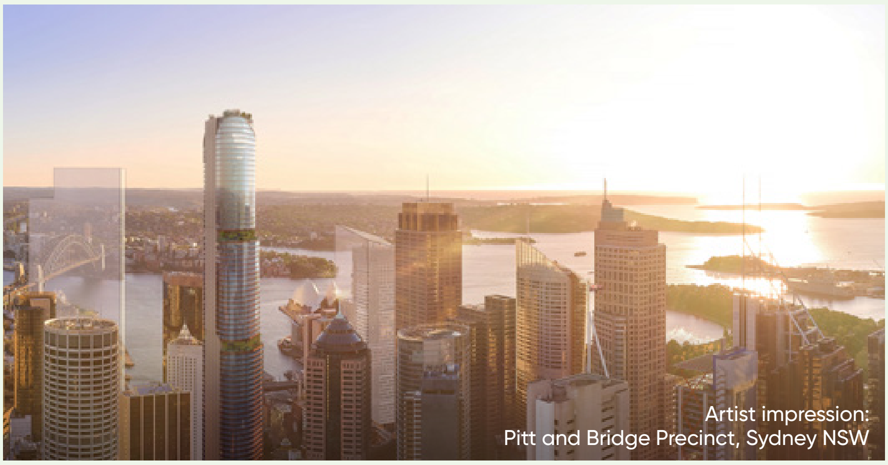
Atlassian building, Sydney

Dexus has reached a binding agreement with Atlassian which provides a framework to fund, develop and invest in their new headquarters, located adjacent to the Central Place Sydney development and within the State Government-led Tech Central precinct. The development incorporates a market leading, sustainable office tower representing the future of workplace, with retail amenities and new YHA accommodation space at its base, as well as a new public realm around Central Station.

Project status: uncommitted

Expected project cost: circa $1.2 billion

Expected completion: early 2026



Artist impression: Pitt and Bridge Precinct, Sydney NSW

Pitt and Bridge Precinct, Sydney

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

Project status: uncommitted

Expected project cost: circa $2.9 billion

Ownership: 50% Dexus, 50% Dexus Office Partner

Artist impression: Australian Bragg Centre, Adelaide SA

Adelaide

Australian Bragg Centre

A landmark, large-scale, state-of-the-art clinical and research facility within Adelaide's BioMed City precinct, incorporating research facilities and lab and office space. The building will house Australia's first proton therapy unit specialising in next generation cancer treatment.

Project status: committed

Expected project cost: $460 million

Ownership: 50% Dexus, 50% DHPF

Expected completion: mid 2023

VIC

Horizon 3023, Ravenhall

Located in Melbourne's Western Growth Corridor, Horizon 3023 is a 134 hectare master planned estate in close proximity to key transport links.

Project status: committed

Expected project cost: $620 million

Ownership: 25.5% Dexus, 24.5% Dexus Australian Logistics Partner, 50% DWPF

Expected completion: early 2025

Horizon 3023, Ravenhall VIC

60 Collins Street, Melbourne

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

Project status: uncommitted

Expected project cost: circa $900 million

Ownership: 100% Dexus

Artist impression:
60 Collins Street, Melbourne VIC

Artist impression:
Waterfront Brisbane QLD

QLD

Waterfront Brisbane

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

Project status: uncommitted

Expected project cost: circa $2.2 billion

Ownership: 50% Dexus, 50% DWPF

Artist impression:
Spring Hill Medical Centre, Brisbane QLD

Spring Hill Medical Centre and Herston Car Park, Brisbane

Spring Hill Medical Centre is located opposite St Andrew's War Memorial Hospital in the inner northern Brisbane suburb of Spring Hill. The site comprises a nine-storey development which will be anchored by a day surgery accompanied by ancillary healthcare services. Herston Car Park will be comprised of 354 car bays and will be directly adjacent to one of Australia's largest and growing integrated precincts, the Herston Health Precinct, which is home to the Royal Brisbane and Women's Hospital.

Project status: uncommitted

Expected project cost: circa $130 million

Ownership: 100% DHPF

People and capabilities

Our people are central to how we deliver our strategy and their knowledge and expertise are key inputs to how we create value.

Board focus

The Board People & Remuneration Committee oversees all aspects of human resource management as well as Director and Executive remuneration. For further details on the key focus areas during FY21, refer to the Remuneration Report starting on page 78 or the Corporate Governance Statement available at **www.dexus.com**

Sustained employee engagement and commitment

Our people and our capabilities are key components to delivering on our strategy. We inspire, engage, and develop a workforce to ensure our purpose of 'creating spaces where people thrive' comes to life.

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

Pulse surveys from FY21 returned an average employee NPS of +43, a decrease from +61 in FY20 but remaining above our target of +40. This year's pulse surveys focused on understanding our people's perceived psychological safety, their experiences with change management, and understanding any support they require while working remotely.

We also considered how our people used flexibility, looked at their sense of inclusion, and assessed their understanding of the Dexus Sustainability Approach. Our people told us they experienced an inclusive culture; they have felt supported during the pandemic and that they are aligned to the Dexus Sustainability Approach.

Throughout the year, we remained attentive to health and safety challenges arising from the pandemic, including supporting the mental health of our people through training programs and other wellbeing initiatives. We also reassessed our culture using the Organisational Culture Inventory, with a view to identifying actions we can take to ensure we align with our ideal culture and sustain performance.

Thriving People

+43
Employee Net Promoter Score

35%
Females in senior and executive management roles

100%
Safety audit score across Dexus workspaces

559
Dexus employees

Safe & Well prioritises mental health

Dexus's Safe & Well program focuses on the pillars of mental, physical, financial and work wellbeing as the key to a thriving workforce, providing our people with what they need to develop and maintain a healthy level of wellbeing throughout the year.

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

The Safe & Well program progressed several initiatives throughout FY21 to support mental health in the workplace. Through a partnership with Heart on My Sleeve, a mental health social movement, we launched the 'Real Leaders' and 'Real Conversations' training programs across Dexus. The objective of 'Real Leaders' was to support our leaders in identifying when someone needs help and responding empathetically, while 'Real Conversations' took this further, encouraging all employees to seek help and speak up.

Despite the challenges presented by the pandemic, we were able to launch the training in a virtual environment and implement in person sessions before the year end. During the year, 33% of our people took part in 'Real Leaders' training and we will continue to offer this training to our people in FY22.

Other mental health initiatives included Mindset Reset mindfulness training, R U OK? Day events. This year, Dexus established a community partnership with Black Dog Institute, and will work with Black Dog Institute to evolve the mental health awareness and education of our people in line with our Safe and Well program.

Addressing mental health is part of our broader commitment to supporting a safety culture across our business, demonstrated through the inclusion of health and safety in our Group Scorecard. Our goal is a 'no harm', safe work environment with zero fatalities, and in FY21 we recorded zero fatalities.

Our steadfast focus on safety continued this year and we maintained a score of 100% on independent external safety audits conducted across our corporate and building management office workspaces and Dexus Place workspaces.

Future focus

To learn about our People and Capabilities future commitments refer to page 71.

Learn more

To learn more about our progress against our FY21 People and Capabilities commitments, refer to the 2021 Sustainability Report available at **www.dexus.com**

Fostering an inclusive and diverse workforce

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

Dexus is proud to be included amongst a select group of Australian companies with an Employer of Choice for Gender Equality citation from the Workplace Gender Equality Agency. We earned our most recent Employer of Choice for Gender Equality citation last year and seek to maintain the citation when we are required to reapply for it in FY22. Throughout FY21, we continued to deliver programs and initiatives directed at supporting gender equality at Dexus and within our broader industry.

WGEA Employer of Choice for Gender Equality

Back in 2020, we committed to achieving 40% female, 40% male, and 20% either/other representation (the 40:40:20 target) across senior and executive management roles by the end of FY21. At 30 June 2021, there was 35% female representation across senior and executive management roles.

We are mindful that this percentage has not met our target, and we continue to put in place initiatives to increase female representation at these levels of our organisation. We remain committed to advancing gender equality and intend to achieve the 40:40:20 target at senior and executive management levels by the end of FY23.

An initiative aimed at facilitating greater gender diversity in the industry is our Future Leaders in Property (FLIP) program. In March 2021, we launched this program to encourage the next generation of female leaders into the property industry by designing a STEM+ program for Sydney and Melbourne. The goal of this program is to increase female participation in the property industry by heightening their awareness of available career pathways.

Dexus is also committed to building a culturally inclusive workplace and continues to track the diversity of our workforce across a range of factors including cultural background, country of origin, sexual orientation, gender identity and age.

A key initiative in FY21 was the development of our Reflect Reconciliation Action Plan (RAP) for endorsement by Reconciliation Australia. The development of a RAP will formalise our activities with First Nations people and enable our employees to learn, understand and connect with First Nations people and their history.

It will also provide a framework to promote opportunities for sustainable business growth, career development and economic participation for First Nations people within the property industry.

We also continued our work supporting LGBTI+ inclusion in our workplace and across the industry more broadly. Led by our LGBTI+ employee network TRIBE, we implemented initiatives and celebrated LGBTI+ events throughout the year and were recognised as a Bronze Employer by the Australian Workplace Equality Index (see case study on page 53).

Investing in our people

Dexus actively supports internal career planning, development and learning opportunities for our people. During the year, we placed internal candidates in 35% of available roles. We also support a range of professional development opportunities, to ensure that our people are equipped with the skills necessary to do their job well, and to enable our people to grow and further develop their talents.

In December 2020, we launched **Lead @ Dexus**, a program designed to equip our people with the self-awareness, motivation, and strategies to improve their leadership skills. Lead @ Dexus was developed in collaboration with our senior executives and external leadership development specialists to articulate and align what the business expects of all our leaders. After being rolled out to our Group Management Committee in December 2020, the program is being cascaded across all levels of the organisation so that all employees can benefit from this training.

As well as empowering our managers and leaders within the business, we also want to make Dexus a place where young talent want to build their careers. This year, we again invited talented young people to take part in our graduate program. This year, we received the most graduate applications for our 2021 intake since starting the Program in 2015. Our 2021 intake of graduates introduced diverse academic training and experience to the business. We look forward to welcoming our 2022 cohort to the business.

Effective implementation of the Dexus Sustainability Approach requires our people to have a strong understanding of sustainability and how it should be integrated into our business activities. Our annual Creating Change program is designed to support employee understanding of our Sustainability Approach. In May 2021, we delivered Creating Change Week, which brought sustainability into the spotlight by showcasing the importance of making small changes to daily routines for the wellbeing of our planet. We were also able to highlight the work of Planet Ark, one of our new community partners that is now collaborating with us as part of our Social Impact Strategic Framework (see page 61).

Case study

Dexus recognised for creating further inclusion in its workplace

Dexus is creating an inclusive and diverse workplace for all people and this year gained recognition for its work in supporting LGBTI+ inclusion in the workplace.

Established in August 2019, TRIBE is Dexus's network which promotes inclusion for LGBTI+ people across the business, ensuring that people feel safe to bring their true self to work. This year the network had a focus on increasing ally participation and grew membership to over 150 active members across Dexus's national workforce, representing both people who identify as LGBTI+ and allies.

To raise awareness, throughout the year TRIBE participated in events including Pride and Mardi Gras events in Sydney, Brisbane, Melbourne and Perth, and days of significance including Wear It Purple Day, Fair Day and IDAHOBIT Day. Dexus also hosted panel discussions with guest speakers on how to influence further change in the workplace.

TRIBE progressed several initiatives including reviewing Dexus policies and procedures to ensure inclusion is reflected, creating a guide on LGBTI+ inclusive language, and delivering a 'Kick the Slur' campaign to draw attention to inadvertent discriminatory language and eliminate language bias.

Acknowledging the work Dexus has been undertaking, Dexus was recognised as a 2021 Bronze Employer by the Australian Workplace Equality Index, the definitive national benchmark on LGBTI+ workplace inclusion which drives best practice across Australian organisations and sets a comparative benchmark.

This recognition is testament to the progress Dexus has made towards LGBTI+ inclusion within its diversity and inclusion strategy. It also further informs the strategic work being undertaken to enhance inclusivity across the group's operations.

AUSTRALIAN LGBTQ INCLUSION AWARDS **2021**
AWEI BRONZE EMPLOYER

Customers and communities

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

Board focus

Our customers and communities are a focus area for the Board and Board ESG Committee. In FY21 the Board and Board ESG Committee were involved in:

- Reviewing and discussing the annual customer survey results and associated actions
- Reviewing customer complaints (including those received during COVID-19 and rent relieve requests)
- Overseeing healthy buildings initiatives, including system upgrades and technology pilots
- Approving the development of Dexus's Reflect Reconciliation Action Plan
- Approving Dexus's Social Impact Strategic Framework designed to streamline community activities
- Considering support for small business customers most affected by the COVID-19 crisis
- Overseeing supplier engagement on modern slavery risk

Future Enabled Customers

We know that our customers are more likely to be satisfied when we listen to their concerns and cater to their needs. We create workplaces with customer productivity in mind and offer a range of supporting products and services that are aimed at enhancing the performance and wellbeing of our diverse customer base.

This year, our annual customer survey across our office and industrial portfolios returned a customer Net Promoter Score (NPS) of +46 (out of a possible range of -100 to +100). This was a slight decrease on last year's result of +50 but remained above our target of +40, despite the challenging operating environment and the disruption caused by embedding a new customer operating platform. Average satisfaction with property management was 8.6/10, consistent with FY20.

Some of the key factors contributing to customer NPS results this year include:

- Customer connection and communication with the property management team, including property managers, concierge, and facility managers
- The level of support and communication provided through the pandemic
- Stability of property management teams, with higher levels of satisfaction generally associated with properties where teams experienced no changes over the year
- Building amenities, such as end-of-trip facilities, and activations for holidays such as Easter, ANZAC Day, and Christmas

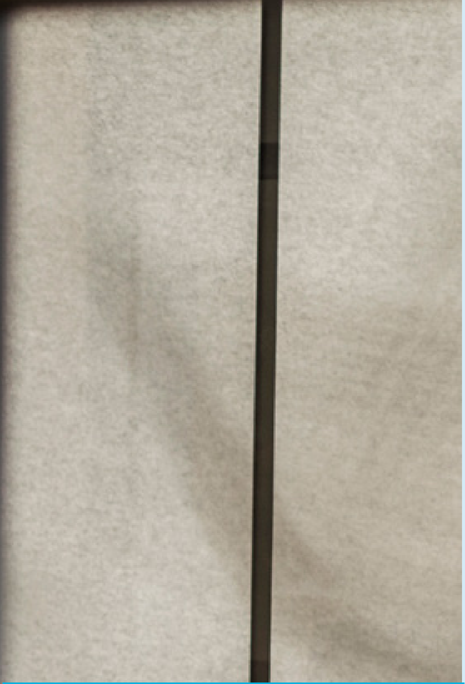
Deciding what our customers will need to create an optimal workplace in a post-pandemic environment was an area of focus for Six Ideas by Dexus (Six Ideas), the workplace and change consultancy division of Dexus.

Extensive research by Six Ideas to understand the future of work revealed that the favoured workplace model was a 'blended workplace', one which is a blend of physical and virtual work environments. Considering this research, we are working alongside our customers to help them create and experiment with new ways of working in our office spaces.

We are also supporting our customers who want more flexible business operations with initiatives such as the Dexus Place Virtual Office, which provides small and medium businesses working remotely with similar benefits as those that utilise the traditional Dexus Place offer including access to a premium business address, landline phone number, meeting rooms and business lounges, and team support without committing to a dedicated office space.

Learn more

To learn more about our progress against our FY21 Customers and Communities commitments, refer to the 2021 Sustainability Report available at **www.dexus.com**



Future Enabled Customers and Strong Communities

+46
Customer Net Promoter Score

>4,800
Customers

>$0.8m
Value of community contribution

1,948
Supplier partnerships

Case study

Investment in innovation delivers value to customers, communities and investors

Dexus is continuously investing in innovation to secure first-mover advantage on next generation technology solutions for its customers, investors and business.

The pace of technological advancement presents a distinct opportunity for owners of real estate who adopt early, enabling them to deliver value to their customers, communities and investors. History suggests that companies that invest in innovation through a crisis outperform peers in times of recovery, and Dexus recognises that prioritising innovation today is the key to unlocking post-crisis growth.

Dexus is an investor in Asia's leading real estate technology investment manager, Taronga Ventures, and founding partner of its RealTechX Growth Program, providing early exposure to emerging global technology and innovation trends.

Getting early access to emerging technology is important for groups with scale like Dexus so it can trial and roll out innovations quickly throughout the portfolio.

With a growing focus on customer health and wellbeing and creating human-centred building and workplace experiences, Dexus is employing the latest in technology to healthy building initiatives. Examples include implementing touchless building entry, and trialling clean-air technologies which will be able to be retrofitted across the portfolio as well as adopted in new developments such as the Atlassian headquarters and Central Place Sydney.

Some of the innovations that Dexus has implemented include:

- Australia's first fully integrated touchless experience in an office building at Gateway Sydney, using hand scanning technology to enable access, eliminating the need for office passes or touching lift buttons
- Partnering with SparkBeyond to unleash artificial intelligence (AI) powered insights across Dexus's portfolio, accelerating Dexus's digital transformation. Leveraging an AI-powered platform helps Dexus to understand drivers governing business and real estate performance in a fraction of the time taken using existing methods
- Dexus.com, an easy-to-use leasing platform that allows customers to select their office, industrial, retail and health leasing requirements based on location, number of people and preferred features. This innovation is a significant improvement on the way customers typically search for space, which is looking for a property by square metres, and was recognised as one of Australia's top 10 innovations in the property, construction, and transport category by AFR BOSS

Dexus understands that to be globally recognised as Australia's leading real estate company, it needs to be at the forefront of that innovation. Innovation is an area that is embedded into Dexus's business and its investment in innovation ensures that it is continually driving performance and setting new benchmarks.

Future focus

To learn about our Customer and Communities future commitments refer to pages 71.

1 Bligh Street, Sydney NSW

Case study

Future of workplace

The COVID-19 pandemic accelerated the evolution of the workplace and proved that flexible working is here to stay, with organisations forging on with a hybrid, or "blended" model that allows greater flexibility but where offices continue to play an important role.

Deciding how organisational workplace practices will operate is a decision that organisations of all shapes and sizes are having to make. But that decision is not clear cut and businesses are grappling with how to create a truly innovative, inclusive, and culturally relevant blended workplace.

Six Ideas by Dexus (Six Ideas), the workplace and change consultancy division of Dexus, conducted an extensive survey in 2020 involving 7,647 respondents based in 368 organisations across 28 industries on how the pandemic changed workplace practices.

This survey provided Dexus with a solid evidence base to understand the future of working and the foundations that organisations would need to create an optimal workplace in a post-pandemic environment.

The favoured workplace model was a blended workplace, representing a blend between physical and virtual work environments. This meant remote working would continue, but only for some of the time.

A physical workplace that reflected the organisational culture was needed to experience professional and social interaction, while amenities in and around the workplace, together with choice and flexibility around where people could work, would deliver improved talent attraction and retention.

To explore the possibilities around the future of work, Six Ideas has continued its research work with several national organisations on the opportunities and challenges in devising and implementing the blended workplace.

That research has identified the biggest challenges being:

- Understanding what constitutes a 'critical mass' of office attendance and how this will be achieved
- How to achieve consistency for remote working arrangements across the organisation
- Deciding to what extent can the individual's location, performance and health be monitored and self-managed
- How to onboard new employees, ensuring they are settled and supported effectively
- How to ensure the organisational culture resonates with remote workers

The research indicates that to achieve a blended workplace, three different areas of focus are required: the needs of the organisation; of the business units or teams; and of the individuals in the organisation. Once these needs are reconciled, there is a series of decisions and initiatives to follow across five key areas, starting with leadership, management, technology, and people. Place is the final, but equally important, area of consideration.

In a blended office, Six Ideas predicts that less space will be dedicated to individuals and more spaces created for knowledge sharing, collaboration, and socialising. It will incorporate sophisticated video-conferencing facilities and remote working technologies, real-time booking and locating systems, advanced noise suppression and improved acoustics, a better balance and diversity of work settings and spaces and greater expression of organisational identity and culture.

The blended workplace will be the new competitive advantage for employers of choice. However, it is not a matter of flicking a switch. The office of the future is a significant business investment that needs careful planning and resources, and organisations must be prepared to experiment.

Blended workplace

In a post-pandemic environment, the favoured workplace model is a blended workplace, representing a blend between physical and virtual work environments.

Working remotely

- Optimise work/life balance
- Recycle the commute
- Do focused work
- Have autonomy and trust
- Be better connected to other time zones and the global community

Blending the physical and virtual delivers the best of both worlds

- Having choice in balancing work and life
- Being productive and satisfied
- Feeling safe and valued
- Being happy and healthy
- Being part of a team doing great work

Working in the office

- Have a sense of purpose, pride, identity, culture and belonging
- Connect and learn from others
- Collaborate, create and implement
- Enjoy the services, amenities and social life of the workplace, the building and the city

Focus on healthy buildings

Our focus on healthy buildings guides how we develop and operate buildings that deliver high-quality, productive working environments that maximise the customer experience.

During the year, we progressed several healthy buildings initiatives, including rolling out new technologies that enhance thermal comfort and indoor air quality. We upgraded air filtration systems at select properties across our portfolio to improve air quality, removing harmful particles.

We also piloted the use of new technologies, such as occupancy management systems that track the usage patterns of areas including end-of-trip facilities, to help communicate to customers when areas reached maximum capacity and to monitor cleaning cycles within the facilities.

We will continue to embed healthy buildings initiatives into new developments and our property management activities. We are now committed to achieving WELL Health-Safety Ratings across our portfolio and continue to use the NABERS Indoor Environment ratings to benchmark property indoor environmental quality and inform enhancements.

Collaborating with our suppliers

Our capacity to create value depends on strong working relationships with capable suppliers of products and services. Our supply chain also extends our economic impact through our procurement spend and associated job creation.

Every year, we depend on our large network of suppliers to progress our development pipeline and manage our properties efficiently. This includes providing cleaning, maintenance or security services at our properties, or through partnerships with suppliers to deliver elements of our customer offer, such as wellbeing service providers as part of our Wellplace offering.

Since the commencement of the Modern Slavery Act 2018, Dexus has also welcomed the increased interest from its investors, customers, and suppliers about how we are managing modern slavery risk across our operations and supply chain.

Our Anti-Modern Slavery Working Group oversaw several activities across each dimension of our modern slavery management framework.

These included:

- Undertaking an extensive risk mapping exercise across 1,731 suppliers, including cleaning, security and construction contractors, to identify the key suppliers that presented the highest risk
- Enhancing our procurement guidelines and implementing a reporting tool which will assist in conducting regular supplier risk assessments
- Installing refreshed modern slavery awareness posters with QR codes, enabling the information to be interpreted in different languages and targeting the individual worker
- Creating a framework to address any incidents or grievances within our supply chain
- Enhancing training for our suppliers' workforces with the implementation of a modern slavery induction module at development sites and awareness training at our properties
- Working alongside key suppliers on an approach to combatting modern slavery on construction sites. The case study on page 59 provides more information on how we collaborated with a building contractor engaged at one of our developments

Our Anti-Modern Slavery Working Group coordinates the group's approach to identifying, assessing, and addressing modern slavery risk across Dexus's operations and supply chain.

Learn more

More information on our Modern Slavery Management Framework is provided in our 2021 Modern Slavery Statement, which has been lodged with the Australian Government and is also publicly available on the Dexus website.

Case study

Partnering with our suppliers to combat modern slavery

We believe that collaborating with our suppliers will achieve the best outcomes in combatting modern slavery. Dexus partnered with Roberts Co, a builder contractor engaged on the development of the North Shore Health Hub in St Leonards, on an approach to prevent modern slavery on construction sites. During the year, Dexus and Roberts Co held workshops to share knowledge on each organisation's approach to combatting modern slavery.

Approaches to address modern slavery risks

There were common features across the organisations' approaches, including:

- Mechanisms in place to identify modern slavery
- Assessment of supply chain risks
- Alternative means of communicating effectively across a diverse workforce and supplier base

The following differences in approach were identified:

Risk assessment approaches	**Dexus** uses the Property Council of Australia's Informed365 Modern Slavery due diligence tool to assess its top tier suppliers, with some of these suppliers also being required to report under the Modern Slavery Act 2018	**Roberts Co** adopts a risk management-based approach as most subcontractors are too small to be required to report under the Act, to assess their subcontractor workforces during the procurement stage, with subcontractors being required to demonstrate that they have addressed the risks
Focus areas	**Dexus** focuses on its Tier 1 suppliers, in particular the labour forces of its cleaning, security and construction supplier companies	**Roberts Co** identified two streams to address – its labour supply chain and its procurement supply chain
Grievance procedures	**Dexus** has a modern slavery grievance procedure which outlines the framework and process to be undertaken on the receipt of a grievance relating to modern slavery within its supply chain	**Roberts Co** has a simplified grievance procedure which deals with grievances on a case-by-case basis

Collaboration initiatives

Through the identification of key differences in approaches, both Dexus and Roberts Co shared knowledge to enhance each other's anti-modern slavery procedures.

Site induction procedures were enhanced to include regular compulsory modern slavery induction training on contractor sign-in. Dexus's grievance procedure was shared with Roberts Co along with posters to raise awareness on who to contact if workers were a victim, or if they suspect someone is a victim of modern slavery.

This included expanding the availability of Dexus's whistle blower service to contractors' workforces.

In the procurement stream, Roberts Co has delineated the steps in their supply chain and are in the process of identifying the areas of greatest risk. Dexus has identified stone suppliers as a high-risk procurement category and is working with Roberts Co to gain a deeper understanding of this risk.

Next steps

Through this exercise, Dexus and Roberts Co found that there was an opportunity to identify modern slavery risks in the procurement supply chain during the architectural design process.

We will require design consultants to consider modern slavery in the suppler chain of materials and products they specify to be used in development projects. This new approach will be advocated by both parties within the property industry.

Artist impression:
Waterfront Brisbane QLD

Strong communities

>$0.8m
Contributed to communities across Australia

$21.7m
Provided in rent relief to impacted customers during COVID-19 across FY20-FY21

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

With more than 150 million people visiting our properties every year, we are in a unique position to be able to have a positive social impact in the communities in which we operate and contribute to important issues where we can make a difference.

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

Over the year we contributed over $0.8 million financially and in-kind to communities across Australia through initiatives such as our retail portfolio's national community campaign that partnered with local charities, and our involvement with STEPtember, where our people and customers raised money and awareness for the Cerebral Palsy Alliance.

We also continued to actively support the viability of our small business customers most affected by the COVID-19 crisis, as a result of government-imposed lockdowns, in accordance with the Australian Government National Code of Conduct. Dexus provided $21.7 million of rent waivers in total to impacted small business customers across FY20 and FY21.

We recognised our responsibility to advance reconciliation with Aboriginal and Torres Strait Islander communities by developing a draft Reflect Reconciliation Action Plan (RAP). The draft Reflect RAP has been submitted to Reconciliation Australia for a three-month feedback engagement process, where content may be refined to ensure the deliverables are achievable. We expect our Reflect RAP to be approved in the first half of FY22, where the Dexus RAP Working Group will oversee its implementation across the business.

Case study

Dexus's new community partnerships

Dexus's Social Impact Working Group (SIWG) was formed in July 2020 and tasked with implementing a social impact strategy for the business. In April 2021, the SIWG internally launched Dexus's Social Impact Strategic Framework (Framework) which is aligned with Dexus's Sustainability Approach (refer page 42 of the 2021 Sustainability Report).

Under the Framework, the SIWG identified the key causes for Dexus to support and in line with this, welcomed two new major community partners, being the Black Dog Institute and Planet Ark:

- Black Dog Institute is the only research institution in Australia dedicated to mental health and suicide prevention with a national focus across all age demographics
- Planet Ark is one of Australia's leading environmental behaviour change organisations, with a focus on working collaboratively and positively with communities, the government, and businesses

These partnerships align with Dexus's Sustainability Approach and will maximise the value created for Dexus and the communities in which it operates. They will also deliver positive outcomes for Dexus's people and customers.

Dexus will be working with these partners on the following objectives:

Black Dog Institute

- Evolving the mental health awareness and education of Dexus's people in line with its Safe and Well program
- Engaging with the communities in which it operates through targeted and meaningful activations across Dexus's retail, industrial and office spaces
- Aligning the extensive research of the Black Dog Institute to Dexus's Sustainability Approach and utilising it to support Dexus's people and customers across various initiatives
- Creating opportunities for Dexus's people to contribute through volunteering initiatives

Planet Ark

- Educating Dexus's people and customers on environmental sustainability topics, including resource reduction and recycling
- Empowering Dexus's people and customers to make positive environmental changes
- Improving Dexus buildings' environmental footprint

Environment

Our capacity to create value depends on the efficient use of natural capital, building resilience to environmental risks and leveraging emerging opportunities driven by climate change.

Board focus

Environmental sustainability is a focus area for the Board and Board ESG Committee. In FY21, the Board and Board ESG Committee were involved in:

- Endorsing the Dexus 2020 Sustainability Report
- Discussing sustainability improvement plans for capital and operating expense items
- Discussing results of ESG benchmark surveys
- Discussing progress in relation to Dexus's supply chain and actions to prevent modern slavery
- Reviewing Dexus's approach to reporting against the United Nations Sustainable Development Goals
- Discussing group's progress in relation to 2021 environmental targets
- Discussing bringing forward Dexus's target to achieve net zero emissions
- Discussing Customer Sustainability Framework
- Discussing activities of the Climate Resilience Working Group
- Overseeing 2021 materiality assessment

In a changing climate, developing and managing resilient properties requires an understanding of how to reduce their impact on the natural environment and leave a positive legacy. To do this, we lower our carbon footprint and reduce operating costs through initiatives that seek to consume less and source more sustainably.

We recognise the risks and opportunities that climate change presents for our business and are acting to better understand, prepare for, and respond to physical risks such as damage from extreme weather and chronic heat stress, and the transition risks and opportunities as customer expectations shift and our economy decarbonises.

Recognising the urgent need to combat climate change and harness the competitive advantage of bold climate action, we have brought forward our target to achieve net zero emissions to 30 June 2022, advancing our original 2030 goal by eight years. Our net zero target has been verified by the Science Based Targets initiative as being consistent with the effort required to limit global temperature increases to below 1.5°C.

We actively manage water and waste through building optimisation, as well as customer engagement and awareness programs. We also integrate energy, water and waste efficiency into the design and daily operation of our properties and regularly benchmark property performance using independent building certifications such as NABERS and Green Star.

Our focus on the environment is aligned with many of our customers' ambitions and contributes to our purpose of creating spaces where people thrive.

Future focus

To learn about our future Enriched Environment commitments refer to page 71

Learn more

To learn more about our progress against our FY21 Environment commitments, refer to the 2021 Sustainability Report available at **www.dexus.com**

Enriched Environment

5.0star
NABERS Energy average rating across our group office portfolio

4.5star
NABERS Water average rating across our group office portfolio

56%
Reduction in group office emissions intensity since FY08

31%
Of electricity sourced from on-site and off-site renewable sources in FY21 across our group managed portfolio

4.7star
NABERS Indoor Environment average rating[1] across our group office portfolio

1. NABERS Indoor Environment rating is based on 65% of Net Lettable Area coverage.

Net zero by 2022

Net zero emissions refers to achieving an overall balance between greenhouse gases emitted in operation and greenhouse gases removed from the atmosphere. Getting Dexus to net zero is an opportunity to align with changing consumer sentiment and meet the increasing investor appetite for low-carbon investments.

We have made great progress on our goal and have brought forward our target to achieve net zero emissions to 30 June 2022, advancing our original 2030 goal by eight years.

Accelerating our net zero ambition delivers strong climate action for our planet, enhances our vision and customer proposition for smart, sustainable workplaces, and ensures we will be ready for other opportunities - including supporting our customers on their own journey.

Our commitment to deliver net zero emissions by 30 June 2022 will be achieved by:

1. **Our transition to 100% renewable electricity** for base building operations from July 2021, purchasing renewable energy credits in the form of Large-scale Generation Certificates or GreenPower
2. **Continuing to invest in certified carbon offsets** for our remaining emissions. We will purchase accredited nature-based offsets to account for emissions from natural gas, wastewater, refrigerants, and waste/recycling
3. **Verifying we are net zero** and maintaining this status through Australia's Climate Active carbon neutral program

In parallel with this transition, our focus remains on improving energy efficiency and accelerating the deployment of on-site renewables (see page 64).

We have brought forward our target to achieve net zero emissions from 2030 to 2022.

Advancing resource efficiency

Together with our strong action to rapidly transition to net zero emissions, energy efficiency at the asset level remains critical to driving long-term value as savings in energy and water consumption contribute to lower occupancy costs as well as reducing environmental impacts.

Building on the success of meeting our portfolio NABERS Energy and NABERS Water targets last year, we continued to enhance the resource efficiency of our properties. To help ensure optimal building performance, our facilities management teams engaged with customers to understand occupancy trends and actively managed building systems to optimise resource use and performance.

Despite challenges presented by the pandemic, we continued to implement energy efficiency projects to enhance monitoring and control capabilities at properties in Melbourne such as 80 Collins Street and Rialto Towers. Other notable projects included progressing the major lift upgrade at One Farrer Place, Sydney, which helped the property achieve a NABERS Energy rating of 5 stars, and replacing two chillers at 25 Martin Place, Sydney, with further improvements planned for FY22.


25 Martin Place, Sydney NSW

Increasing renewable energy

Our pathway to net zero is supported by increasing our use of renewable energy through a combination of on-site renewable energy installations and purchasing of innovative ways to source renewable energy generated off site. It also contributes to the achievement of our RE100 commitment of 100% renewable energy by 2030.

In FY21 we sourced 31% of the group managed portfolio's electricity consumption from onsite and offsite renewable sources

Throughout FY21, we continued to roll out on-site solar photovoltaics (PV) across the property portfolio, with over 3.1 MW of new solar systems completed or underway. At Deepwater Plaza, Woy Woy, we added a 253 kW car park solar array to the existing 100 kW rooftop system, and an 80 kW solar array was installed on the rooftop of 1 Bligh Street, Sydney. Across our office and industrial properties, we collaborated with our customers to accelerate the uptake of on-site solar energy. These collaborations have resulted in a solar array being installed at Kings Square in Perth, and progress toward solar installations at Quarry at Greystanes industrial estate.

Leveraging the positive response for on-site solar from customers at Quarry at Greystanes we are preparing for a portfolio-wide rollout program.

Back in 2018, we drove innovation in renewable energy procurement through agreeing the industry's first renewable Energy Supply Agreement with Red Energy for our New South Wales portfolio. This year, we completed a competitive market engagement for renewable Electricity Supply Agreements, selecting CleanCo for the Queensland portfolio, which commences in July 2021, and Iberdrola (formerly Infigen) for the Victoria portfolio, commencing from July 2023. Within both agreements, we have built in the capability to help procure renewables on behalf of our customers.

Focusing on operational waste

We benchmark the operational waste management performance of our office portfolio using the NABERS Waste rating. In FY21, we expanded uptake of the NABERS Waste tool, increasing the rated net lettable area of the group office portfolio to 70% (FY20: 28%), and achieving an average 2.7 star NABERS Waste rating.

At 25 Martin Place, Sydney, the NABERS Waste rating improved to 3.5 stars from 3.0 stars as a result of waste management initiatives, including the addition of organics and paper towel streams, and the appointment of an accredited Good Environmental Choice Australia waste service provider.

Reducing waste creation while improving reuse and recycling across our buildings requires active collaboration between Dexus and our customers.

Our cleaning and waste management contracts include requirements for customer engagement on waste management and performance. During the year, our cleaning and waste management contractors put these requirements into action through a program of customer bin profiling, involving the emptying, categorising, and weighing of the contents of each customers' bins. The results will be used to provide feedback to help customers place waste items in the correct waste stream and identify key opportunities to introduce new streams.

Our waste management program aims to go beyond waste diversion to embrace circular economy principles that promote efficient resource use and keeping materials at their highest value. Achieving a circular economy within urban precincts requires collaboration between governments, suppliers, customers, and property companies like Dexus. Working together we can unlock the potential value of circular resource use for all stakeholders (page 65).

This year we have set the goal to achieve an average 4 star NABERS Waste rating across our group office portfolio by FY25. This is equivalent to diverting 50% of operational waste from landfill, placing greater focus on the activities we can employ to consistently and systematically reduce overall volumes of materials that end up in landfill.

Enhancing indoor environments

The role buildings can play in human health and wellbeing has never been more important. Tools such as NABERS Indoor Environment (NABERS IE) provide ongoing benchmarking of performance, while the WELL Building Standard is helping us understand more about the relationship between the physical environment and human health.

The WELL Building Standard is a roadmap for creating and certifying spaces that advance human health and wellbeing, administered by the International WELL Building Institute.

Through initiatives to enhance occupant health and wellbeing, we are targeting an average 5 star NABERS IE rating across the group office portfolio by FY25. At the end of FY21, we achieved a 4.7 star NABERS IE rating across 35 properties, representing almost two-thirds of total lettable area across the group office portfolio. Standout performers include 480 Queen Street, Sydney (improving by 3 stars to 5.5 stars), 60 Castlereagh Street, Sydney (improving by 2.5 stars to 5.5 stars) and 383 Kent Street, Sydney (improving by 1.5 stars to 5.5 stars).

Ensuring safe and productive indoor environmental conditions is a core component of our healthy buildings focus, with innovative initiatives trialled within the portfolio. Some of the progress made on healthy buildings initiatives during FY21 included:

- Upgrading air conditioning filters at select properties to F7 grade filters, which are more effective in removing finer particulates caused by bushfire ash
- Aligning the remaining properties to upgrade the air conditioning filters to F7 grade filters, which improves the filtration of fine particulates such as bushfire ash
- Establishing an alerting protocol to help facility teams forewarn customers of ambient air quality conditions
- Trialling emerging health and safety technologies such as air quality sensors for continuous monitoring and real-time data to enhance building plant operation
- Collaborating with science groups and academia to analyse and verify the results of the trial air purification technologies that address concerns related to airborne particulates and pathogens within occupied spaces

To align our healthy buildings initiatives with international best practice even further, we are committed to achieving a WELL health-safety certification across our office portfolio.

Case study

Integrating the circular economy into developments and the portfolio

Dexus is taking steps towards creating a more circular approach to how it manages and develops its properties, with the aim of minimising (and eventually eliminating) waste through reusing, repairing, reshaping, and recycling materials.

Achieving a circular economy within urban precincts requires collaborations between governments, suppliers, customers, and property companies like Dexus, to unlock the potential value of circular resource use for all stakeholders.

During the year, Dexus partnered with a circular economy specialist consultancy to identify practical circular economy insights and opportunities that could be integrated within the Waterfront Brisbane development, which is undergoing planning approvals and has been designed to deliver workspaces of the future. Stakeholder workshops were held involving a circular economy maturity analysis and an ideation session to review the available opportunities and understand the steps involved to adopt a circular economy approach within the procurement and management phases of the project.

Key outcomes that are being incorporated into the project include:

- Incorporating environmental features into the design of the public domain
- Adopting regenerative design and construction that aligns with circular economy principles
- Developing circular fit-out guidelines for the development
- Exploring ways to increase the lifecycle of construction materials

Continuing the partnership, Dexus and its circular economy specialist consultancy collaborated on a project for implementation in the coming year that looks at tackling the challenge of incorporating circular economy principles within property operations. This project has been awarded a grant from Sustainability Victoria's Circular Economy Business Innovation Centre.

Through this project, Dexus seeks to understand, measure, and map how materials flow through complex mixed-use corporate and retail precincts with the intention of improving the circularity of these material flows.

This project will be conducted for the retail and commercial tower operations at the Dexus co-owned and managed QV complex in Melbourne, which has over 120 retail and nine corporate customers including Woolworths, RMIT, Australia Post, and multiple Victorian State Government tenants. Lessons learned from this project will be applied to complex materials supply chains and mixed-use precincts across Dexus nationally. Sustainability Victoria will be able to leverage key learnings and resources developed through the project to support its engagement with businesses and the wider community throughout Victoria and Australia.

Adopting circular economy practices in its developments and operations will ensure Dexus creates additional value for its assets and achieves tangible progress on the journey towards a more sustainable, efficient, and resilient future.

Climate resilience

We are committed to disclosing climate-related issues in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

We support the UN Paris Agreement's goal of transitioning to net zero emissions and have brought forward our net zero emissions target to 30 June 2022, in recognition of the need to take accelerated action to address the impacts of climate change.

Climate-related risks and opportunities are of growing importance when it comes to meeting our strategic objectives. Maintaining sustainable income streams requires both understanding the financial consequences of climate impacts, as well as having a solid approach to mitigating climate risks. Being a real estate investment partner of choice requires transparent acknowledgment of the challenges posed by climate change and collaboration with the investment community to understand and proactively respond to climate-related risks and opportunities.

Governance

Dexus takes a collaborative approach to managing climate-related impacts across the group's operations. Climate change has been incorporated into relevant group policies and procedures to provide guidance to employees and inform all stakeholders of Dexus's commitment to managing climate-related issues.

Dexus's corporate governance framework supports a culture that understands the importance of sustainability and ensures that climate-related issues are addressed appropriately at board and management levels:

- The Dexus Board oversees all strategic risks including climate change
- The Board ESG Committee oversees the group's approach to addressing climate-related issues
- The Board Risk Committee oversees the group enterprise risk management practices and key risk register, which includes climate change
- The Sustainability team, led by the Executive General Manager, Investor Relations, Communications and Sustainability, and the Senior Manager, Group Sustainability and Energy oversee the group's management response and reporting, presenting on a quarterly basis to the Board ESG Committee on progress against targets and to the Board as key topics emerge.

Sustainability has been integrated into the roles and responsibilities of executives, management and other employees through its inclusion within the Group Scorecard. Remuneration is linked to the successful delivery of group-wide sustainability outcomes through the evaluation of progress against ESG-related commitments and targets within the Scorecard.

Strategy

Climate-related issues present risks and opportunities across our entire operations and prospective strategic opportunities. To support a comprehensive understanding of climate-related issues, we have incorporated a wide range of scenarios into our climate risk management approach.

Dexus's *Towards Climate Resilience* report explains the use of scenario analysis, summarises the identified climate-related risks and opportunities, and explores ways that we can evolve our strategy to enhance the resilience of our operations and meet our strategic objectives.

Our climate resilience strategy responds to a range of climate-related issues that have been identified through our scenario analysis and risk management processes over the years. The strategy comprises three themes:

Reducing our impact through decarbonisation, energy efficiency and renewable energy with the remaining emissions achieved by nature-based offsets

Adapting to climate change and physical and transition risks relevant to our properties, people, and operations, and leveraging climate change-related opportunities

Influencing our value chain by engaging customers and suppliers to reduce climate impacts and engaging other key stakeholders on our climate resilience strategy

Reducing our impact

Our commitment to achieve net zero emissions involves enhancing the energy efficiency of our properties and increasing the use of renewable energy. The acceleration of our net zero target from 2030 to 2022 supports Dexus on this journey (page 63).

Adapting to climate change

Physical risk

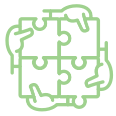
During the year, we expanded our site-specific environmental risk assessments to continue to evaluate, mitigate and manage significant climate-related vulnerabilities and adaptation activities at high-risk properties. A key focus in recent years has been addressing the significant indirect health impacts from bushfires. To protect our people, customers, communities, and properties from these impacts, we actively manage portfolio indoor environmental quality and use the NABERS Indoor Environment rating tool to benchmark property performance as part of our approach to focus on healthy buildings (page 65).

We are addressing physical risks at the property level by:

- Incorporating a review of climate exposures and controls within our existing environmental risk assessment program
- Integrating climate-related issues in transaction due diligence
- Tracking environmental, social, economic, and political factors that could influence the resilience of our portfolio

Transition risk

Dexus recognises that to understand how climate change will impact its business model, and build resilience against these impacts, it must evaluate the impact of climate-related transition events on the economy and its customers. Over the past year, we commissioned an economic analysis of the climate-related transition impacts relevant to Dexus's customer base to explore (see findings on page 68).



Influencing our value chain

We collaborate across our value chain to broaden our positive impact and to enhance climate resilience more widely.

During the year we publicly supported the City of Sydney's new net zero building performance standards, which we have already incorporated into existing development plans at projects such as Central Place Sydney and Pitt and Bridge Precincts. We also progressed plans to adopt a customer sustainability framework across the portfolio that impacts the customer lifecycle experience from leasing, fit-out and occupancy to end of lease. The approach involves collaborating with customers to raise the awareness of Dexus's sustainability approach, providing data and insights, identifying opportunities and supporting implementation. Dexus intends to progress initiatives aligned to this framework over the next 12 months.

We completed tenders for electricity in Queensland and Victoria accelerating our goal to transition to renewable energy, which resulted in renewable Electricity Supply Agreements with two new retailers for 100% renewable electricity. These contracts have helped underpin their investment in wind and solar power stations that are in operation or under construction.

Risk management

Through integration of climate change as a material topic into our Risk Management Framework (aligned to the principles of ISO 31000:2018), climate-related issues are identified and managed in a systematic and timely way. Dexus's climate-related risks are assessed based on an overall risk evaluation informed by likelihood, consequence, and effectiveness of controls.

Dexus's Risk team oversee the group's Risk Management Framework, which includes Dexus's risk appetite in relation to climate change and monitoring of relevant tolerances. Dexus's Sustainability team is responsible for day-to-day operationalisation of carbon reduction and climate resilience activities across the group, including regular review of climate-related risks and opportunities through scenario analysis. Together, the Sustainability and Risk teams work collaboratively with the Property Operations teams, to ensure that the business is managing its climate risk appropriately.

Addressing physical risk

Since 2011, Dexus has conducted periodic group-wide physical climate risk assessments to determine the magnitude of climate risks across the portfolio. Properties which have been identified as high risk through the portfolio-wide climate risk assessment have site-specific climate risk assessments undertaken to evaluate significant climate-related vulnerabilities and adaptation actions. At the property level, natural disaster risks are assessed as part of Dexus's risk engineering audit regime which uses a risk adjusted approach to selecting sites to audit.

The assessment process involves sensitivity analysis and determination of climate risk level based on the inherent risk with reference to recent and historical natural disaster events and geographical factors, while factoring in climate change projections and data on previous economic losses.

Management of physical risks at the asset level has been integrated into the Dexus Environmental Management System (EMS), which is certified to ISO 14001:2015. Climate change is listed as an 'aspect' within the EMS, which provides a structured framework for considering physical risk factors, such as higher temperatures, into the day-to-day business activities across the group.

Addressing transition risk

Dexus's recent economic analysis assessed the implications of the climate transition pathways on the economic environment in which Dexus operates and the demand for its products and services over the next 10 years, with white-collar employment being used as a proxy for demand for office space.

The economic modelling was informed by the pace and scale of transition events to achieve emissions reductions under two of the climate scenarios previously disclosed in our *Towards Climate Resilience* report. Each pathway is characterised by different combinations of policies, technologies, and broader societal change.

Under both scenarios, the climate related transition impact on white-collar office-based employment is estimated to be lower than the impact on Australia's overall employment landscape as white-collar employment is concentrated in industries and sectors that are less impacted by climate transition risks.

The two different scenarios included:

- **A Coordinated and Orderly Transition**: This scenario is characterised by global recognition for the need to address climate change, leading to a deliberate, collaborative, and steady economy-wide efforts to reduce emissions and limit warming to 1.5°C above pre-industrial levels by 2100

  Findings

  It is projected that white-collar employment in Australia will experience a 1.0% reduction relative to baseline[1] in 2030-31, compared to Australia-wide employment which will experience a 1.3% reduction.

- **An Abrupt and Delayed Transition**: In contrast, this scenario sees a group of countries (including Australia) continuing with a period of 'business as usual' carbon emissions, resulting in an abrupt and drastic national policy response pre-2030 and disorderly decarbonisation for which financial markets are not prepared

  Findings

  It is projected that white-collar employment in Australia will experience a 1.7% reduction relative to baseline[1] in 2030-31, compared to Australia-wide employment which will experience a 2.1% reduction.

1. The baseline forecast suggests that white-collar jobs in Australia will grow by 21% up to 2030-31.

In the coordinated and orderly scenario early action has a greater upfront cost, with some sectors benefiting and others becoming more exposed. Clear government policy signalling allows time for existing infrastructure to be replaced and for technological progress to keep energy costs at a reasonable level, benefiting the Electricity, Gas, Water and Waste services sectors and creating opportunities for innovation in the Manufacturing and Construction sectors. However, policies limiting the levels of emissions will force sectors including the Mining and Agriculture, Forestry, and Fishing sectors to make significant operational changes or face an increase in the cost of production.

In contrast, the abrupt and delayed transition scenario initially has less impact on carbon intensive sectors as they benefit from policy inaction. However, the subsequent sudden and uncoordinated transition will result in abrupt structural policy adjustments that create significant pressure to decarbonise. This is disruptive, particularly for more exposed sectors including Mining and Construction, and will increase the flow-on effects for indirectly exposed industries such as the Financial and Insurance services sectors, as well as the Professional, Scientific, and Technical services sectors.

Over the next 10 years, the economic modelling found lesser impacts to GDP under the orderly scenario, with early action showing a more positive economic outlook when compared to the disorderly scenario. Dexus plans will integrate material insights from this analysis into the business's broader strategy.

Metrics and targets

We have committed to achieve net zero emissions by 30 June 2022. Our net zero target has been verified by the Science Based Targets initiative as aligned with the objectives of the UN Paris Agreement and consistent with the effort required to limit global temperature increases to below 1.5°C in this century.

Dexus is committed to operational efficiency across its property portfolio to deliver savings in resource consumption and associated greenhouse gas emissions, and to meet current and future environmental targets. We monitor and report on absolute, like-for-like greenhouse gas emissions and emissions intensity for all properties under our operational control. Dexus obtains external assurance over selected sustainability performance data, with progress against environmental targets and other climate-related metrics being disclosed in the 2021 Sustainability Report.

Looking ahead

The coming year will be an important one for Dexus, as we work to deliver our net zero emissions commitment. Future areas of focus include:

Climate resilience strategy	Future areas of focus
Reducing our impact	– Deliver net zero emissions in operation across the group-managed portfolio in FY22 – Commence broad rollout of our on-site renewable energy program
Adapting to climate change	– Integrate material insights from the economic analysis into the business's broader strategy – Continue rollout of asset-level climate change risk assessments, identify key interdependencies and progress identified actions – Progress healthy building initiatives to enhance understanding of climate-related health impacts to occupants and management opportunities
Influencing our value chain	– Continue training on climate risks and opportunities – Enhance focus on measuring and reducing embodied carbon impacts for new developments – Continue active engagement with suppliers to understand the carbon intensity of our supply chain and mitigation opportunities

Future commitments

Commitments drive action and outcomes

By developing commitments for FY22 and beyond based on the value creation outcomes of our Sustainability Approach, we aim to deliver outcomes aligned to the interests of our investors and all stakeholders.

Sustained Value

Creating sustained value by delivering superior long-term performance, underpinned by integrating ESG issues into our business model.

FY22 commitments

> Based on current expectations relating to COVID-19 impacts and barring unforeseen circumstances, Dexus expects distribution per security growth of not less than 2% for the 12 months ended 30 June 2022

> Maintain a strong balance sheet while further diversifying debt

Leading Cities

Playing a leading role in contributing to economic prosperity and supporting sustainable urban development across Australia's key cities.

FY22 commitments

> Maintain office portfolio occupancy above the Property Council of Australia market average

> Progress city-shaping precinct projects in Sydney, Brisbane, Melbourne, Perth and Adelaide that improve the amenity and vibrancy of Australia's CBDs

> Grow industrial precincts by more than 200,000 square metres to meet the demand for high-quality, highly accessible logistics facilities across the east coast of Australia

> Contribute to economic growth through the generation of employment and contribution to Gross Value Added from development projects

Thriving People

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

FY22 commitments

> Maintain employee Net Promoter Score at or above +40
> Maintain recognition as an Employer of Choice for Gender Equality
> Roll out mental health awareness training to all employees
> Target key talent retention rate of 90% or higher
> Roll out Lead @ Dexus to all people managers
> Maintain standing on AWEI in relation to LGBTI+ inclusion

By FY23

> Achieve 40:40:20 gender representation in senior and executive management roles by FY23

Future Enabled Customers and Strong Communities

Delivering satisfied and successful customers supported by high performing workspaces and a comprehensive customer product and service offering.

Supporting well connected, prosperous and strong communities within and around our properties.

Partnering with a network of capable and effective supplier relationships that ensures ESG standards are maintained throughout our supply chain.

FY22 commitments

> Maintain a Customer Net Promoter Score for the Office portfolio at or above +40
> Continue to support customers with their future workspace needs
> Harness technology and innovation to improve customer experience
> Continue to support customer wellbeing by delivering initiatives such as a WELL Health-Safety portfolio certification
> Support the wellbeing of our people and customers through implementing initiatives
> Influence the sustainability practices of our people and customers through implementing an engagement program
> Progress Dexus's reconciliation efforts with First Nations peoples through implementing the Reflect Reconciliation Action Plan
> Require our design consultants to consider modern slavery in the supply chain of the materials and products they specify to be used in development projects, and advocate for industry change by encouraging peers to adopt the same approach
> Conduct assessments on key Tier 2 services suppliers
> Extend our supply chain mapping to other geographies beyond Australia

Enriched Environment

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

FY22 commitment

> Achieve net zero emissions across the group-managed portfolio by 30 June 2022

By FY25

> Source at least 70% of electricity from on-site and off-site renewable sources across the group portfolio by FY25
> Deliver an average 5 star NABERS Indoor Environment rating across the group office portfolio by FY25, delivering initiatives to enhance occupant health and wellbeing
> Reduce energy intensity by 10% across the group office portfolio by FY25 against a 2019 baseline
> Reduce water intensity by 10% across the group office portfolio by FY25 against a 2019 baseline
> Achieve an average 4 star NABERS Waste rating across the group office portfolio by FY25

Governance

A high standard of corporate governance is the foundation for the long-term success of the group.

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

- A culture of ethical behaviour resulting in an organisation that acts with integrity
- Improved decision-making processes
- Better controls and risk management
- Improved relationships with stakeholders
- Accountability and transparency

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

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

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

For the 2021 financial year, the group's governance practices complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (fourth edition) and addressed additional aspects of governance which the Board considers important.

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

Governance for Funds Management

Dexus uses its expertise, scale and knowledge of the Australian real estate market to create and manage property investments for these third party capital partners and investors.

A high standard of corporate governance is vital for attracting, retaining and reinforcing the confidence of these third party capital partners and investors.

Demonstrating this importance, Dexus's unlisted pooled funds have in place a best practice corporate governance model in consultation with their respective investor base. These funds have Responsible Entity Boards that are comprised predominantly of non-executive directors that are independent of the Dexus Board. In addition, these funds each have Advisory Committees in place comprising Unitholder appointed representatives. The Responsible Entity Boards are responsible for reviewing and approving recommendations with respect to each Fund's major decisions, including acquisitions, divestments, developments, major capital expenditure and the annual Investment Plan.

The Dexus Board and Board Committee membership at 30 June 2021

Director	Board	Audit Committee	Risk Committee	People & Remuneration Committee	Nomination Committee	Environmental, Social and Governance Committee
Richard Sheppard	●			○	●	
Darren Steinberg	○					
Patrick Allaway	○	○	○		○	
Penny Bingham-Hall	○			●	○	○
Tonianne Dwyer	○	○	●		○	
Mark Ford	○	●			○	○
Warwick Negus	○	○	○		○	
The Hon. Nicola Roxon	○			○	○	●

KEY ● Chair and member ○ Member

Dexus also acknowledges the importance of effective corporate governance practices in relation to its third party capital partners. Firm policies are in place to manage conflicts of interest and related party transactions.

In managing conflicts of interest, Dexus has established a structure whereby the responsibility for the investment vehicle is separated from the other Funds or investment vehicles involved for which Dexus provides services.

The Fund Manager for each Fund or investment vehicle will, at all times, act in the best interests of the Fund or investment vehicle. In addition, staff involved in managing a Fund are dedicated to the funds management business, rather than to other activities.

Following the acquisition of APN Property Group, Dexus will manage two additional listed funds and will apply many of the same governance arrangements. These funds will also benefit from leveraging Dexus's funds and property management expertise to drive growth and performance.

Board of Directors

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

In FY21, we progressed our Board renewal strategy, with the appointment of Warwick Negus to the Board on 1 February 2021 and the retirement of John Conde on 2 September 2020 and Peter St George on 30 June 2021. Mr Negus brings a valuable mix of funds management, finance and property industry experience to our Board and his expertise complements the Board's diverse skillset.

Both Mr Conde and Mr St George had served more than 11 years as non-executive directors, bringing a wealth of knowledge and experience in accounting, finance, people and remuneration matters and corporate governance to the Board and Management.

On behalf of the Board, the Group Management Committee and our Security holders, Mr Conde and Mr St George are thanked for their dedication and contribution to Dexus over the past decade.

The members of the Board of Directors and the relevant business and management experience the Directors bring to the Board is detailed on pages 74-76 and available at www.dexus.com.

Board skills and experience

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

Areas of skill and expertise	Experience
Leadership	– Directorship experience with ASX listed companies – CEO or Senior Executive experience
Governance	– Experience in governing large and complex organisations – Experience in overseeing the successful execution of strategy – Ability to assess, and commitment to ensure, the effectiveness of governance structures
Strategy and innovation	– Ability to consider multiple scenarios to achieve the strategic direction – Experience in identifying innovative ways of achieving an organisation's vision, purpose and strategy – Experience in complex merger and acquisition activities – Deep understanding of financial drivers and alternative business models
Capital and funds management	– Senior investment banking experience (including capital raising) – Experience in the management of third party funds (including strategy and growth)
Large scale property experience (including developments)	– Deep experience and industry knowledge in the development and management of property – Property sector expertise in Office, Industrial and Healthcare assets – Understanding of industry trends (demographic and societal changes and stakeholder needs)
Talent, remuneration and culture	– Experience in attracting, engaging and retaining a highly talented and dynamic workforce – Experience with remuneration structures and incentives in large ASX listed companies – Experience in the management of people and the influence of organisational culture
Sustainability	– Experience in identifying and embedding innovative sustainability policies and practices – Deep understanding of environmental and social issues relevant to the property sector
Finance and accounting	– Expertise in analysing and challenging accounting concepts and judgements – Deep understanding of Australian Accounting Principles and their application in financial statements
Risk management	– Experience in the oversight and management of material risks in large organisations including technology risks (cyber attacks, loss of customer, proprietary and other sensitive information) – Extensive knowledge of risk and compliance frameworks governing workplace health & safety, environmental & community and social responsibility issues

Board of Directors

The key areas of focus for the Board and Board Committees during FY21 are aligned to each of our key resources

Board focus during the year

Financial

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

→ p. 28

Properties

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

→ p. 42

People and capabilities

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

→ p. 50

Customers and Communities

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

→ p. 54

Environment

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

→ p. 62

Risk

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

→ p. 22

Richard Sheppard

Chair and Independent Director

BEc Hons, FAICD

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

Richard is a Director of Snowy Hydro Limited and Star Entertainment Group.

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

Patrick Allaway

Independent Director

BA/LLB

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

Patrick is Chairman of the Bank of Queensland and a Non-Executive Director of Allianz Australia and is on the Advisory Board of Adobe International.

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

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

Penny Bingham-Hall

Independent Director
BA (Industrial Design), FAICD, SF (Fin)

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

Penny is a Non-Executive Director of Fortescue Metals Group Ltd, BlueScope Steel Limited, Supply Nation, the Crescent Foundation and Vocus Group Limited. Penny is also Chair of the Taronga Conservation Society Australia and the NSW Freight and Logistics Advisory Council.

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

Tonianne Dwyer

Independent Director
BJuris (Hons), LLB (Hons)

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

Tonianne is a Director of OZ Minerals Limited, ALS Limited and Incitec Pivot Limited. She is also Deputy Chancellor and a member of the Senate of the University of Queensland, and she is on the Board of the Sir John Monash Foundation.

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

Mark Ford

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

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

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

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

Warwick Negus

Independent Director
BBus (UTS), MCom (UNSW), SF Fin

Appointed to the Board on 1 February 2021, Warwick Negus is an Independent Director of Dexus Funds Management Limited and a member of the Board Nomination Committee, Board Audit Committee and Board Risk Committee.

Warwick is Chair of Pengana Capital Group and a Non-Executive Director of Washington H. Soul Pattinson, the Bank of Queensland, Virgin Australia Holdings Limited, Terrace Tower Group, New South Wales Rugby Union Limited and Tantallon Capital Advisors. He is also Deputy Chancellor and a member of the Council of UNSW.

Warwick has more than 30 years of funds management, finance and property industry experience in Australia, Europe and Asia. His most recent executive roles included Chief Executive Officer of Colonial First State Global Asset Management, Chief Executive Officer of 452 Capital, and Goldman Sachs Managing Director in Australia, London, and Singapore. Warwick was formerly Chair of UNSW Global and a Non-Executive Director of FINSIA.

The Hon. Nicola Roxon

Independent Director
BA/LLB (Hons), GAICD

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

Nicola is an Independent Chair of HESTA and VicHealth, a Non-Executive Director of Lifestyle Communities Limited and Health Justice Australia and chairs the Lifestyle Communities Remuneration Committee. Prior to her non-executive career, Nicola served in the Commonwealth Parliament, including as Minister for Health and Australia's first female Attorney-General.

Nicola brings more than 20 years' experience in government and law which have given her significant insights into health, public policy and professional services sectors.

Darren Steinberg

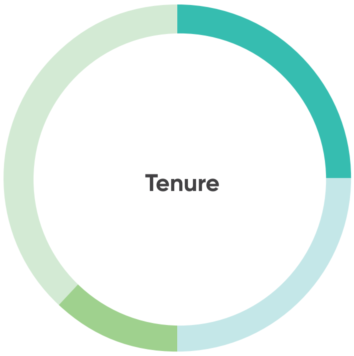
Chief Executive Officer and Executive Director
BEc, FAICD, FRICS, FAPI

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

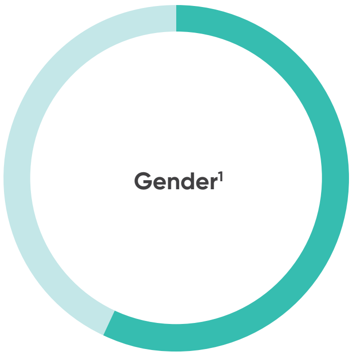
Darren has over thirty years' experience in the property and funds management industry with an extensive background in office, industrial and retail property investment and development. He has a Bachelor of Economics from the University of Western Australia.

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

Board composition



- 0–3 years 25%
- 3–6 years 25%
- 6–9 years 12%
- 9+ years 38%



- Men 57%
- Women 43%

- Economics 20%
- Commerce/Accounting 30%
- MBA 10%
- Law 30%
- Other 10%

1 Non-Executive Directors only.

Group Management Committee

The Board has appointed a Group Management Committee (GMC) comprising Dexus's most senior executives. The GMC is responsible for implementing Dexus's strategy, maintaining Dexus's high standards of governance, driving culture and engagement, achieving objectives and ensuring the prudent financial and risk management of the group.

Members of the GMC in FY21 include:

Darren Steinberg
Chief Executive Officer and Executive Director

Melanie Bourke
Chief Operating Officer

Brett Cameron
General Counsel and Company Secretary

Deborah Coakley
EGM, Funds Management

Ross Du Vernet
Chief Investment Officer

Kevin George
EGM, Office

Alison Harrop
Chief Financial Officer

Jonathan Hedger
EGM, Group Strategy

Stewart Hutcheon
EGM, Industrial, Retail and Healthcare

David Yates
EGM, Investor Relations, Communications and Sustainability

EGM = Executive General Manager

Remuneration Report

Dear Security holder,

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 June 2021 (FY21).

Year in review

Throughout the year, as described on pages 6-11 of the Chair and CEO review, Dexus maintained a focus on maximising property portfolio income and performance, while also supporting our small business customers impacted by the lockdowns and growing and diversifying the funds management business.

It was a year in which our entire workforce created value for future years by making complex transactions come to fruition. This included attracting new unlisted investors through the merger of AMP Capital Diversified Property Fund with Dexus Wholesale Property Fund and strengthening our funds management business through the acquisition of APN Property Group. In addition, Dexus was involved in undertaking $5.6 billion of healthcare, industrial and office transactions across the Group.

Despite the ongoing challenges presented by the COVID-19 pandemic, Dexus achieved 3% growth in Adjusted Funds From Operations (AFFO) and distribution per security (51.8 cents) driven by a combination of better-than-expected outcomes achieved across the property portfolio, as well as delayed settlements of asset sales and other initiatives. This result is particularly pleasing given the initial expectation for a distribution consistent with FY20 (50.3 cents) and demonstrates our leaders' focus on Security holder value and the commitment of our people in responding to the challenges presented by the pandemic.

Dexus also performed well in other key financial and non-financial areas:

- Achieving relative outperformance for our funds, with five out of seven funds within the funds management business outperforming their respective external benchmark measures
- Achieving a high customer Net Promoter Score of +46
- Reinforcing our strong culture and engaged workforce by achieving a weighted average employee Net Promoter Score of +43
- Achieving a 100% safety audit score at Dexus workplaces and zero fatalities
- Delivering strong ESG performance relative to four external benchmarks

We also made progress on fostering an inclusive and diverse workforce and investing in our people which is detailed in the People and capabilities section from page 50.

FY21 remuneration outcomes

No increases were made to Executive KMP remuneration or Non-Executive Director fees in FY21, with one exception to reflect an expanded role.

On 1 July 2020, remuneration for all KMP reverted back to prior levels following reductions for the last quarter of FY20 as a result of COVID-19.

As outlined in our FY20 Remuneration Report, the unprecedented conditions experienced in 2020 meant that the Board set performance targets for the FY21 Short Term Incentive (STI) in line with business forecasts in November 2020. These targets were reviewed in February 2021, with no adjustments to performance expectations made at that time. This differed from our typical approach of setting the targets at the commencement of the performance period.

As part of the FY21 performance assessment, the Board considered whether any discretion on the STI outcomes should be applied in light of the challenges in setting targets and the better-than-expected AFFO performance. However, the Board is confident that the 3% growth in AFFO, and Dexus's performance against the other key metrics outlined above, were achieved as a result of active portfolio management and the successful execution of key initiatives. In reviewing these outcomes, the Board would like to acknowledge our people for their exceptional contributions during FY21.

Reflecting Dexus's performance, Executive KMP STI outcomes for FY21 ranged from 100% to 125% of target. STI payments reflect the outperformance of financial KPIs, execution of numerous initiatives to embed future growth, continued strong ESG performance and support from our customers and our employees.

The Long-Term Incentive (LTI) for Executive KMP for Tranche 1 of the FY19 plan vested at 69.5% and Tranche 2 of the FY18 plan vested at 97.4%.

Despite our strong performance during much of the performance period, our AFFO growth and Return on Contributed Equity (ROCE) performance were adversely impacted by the COVID-19 pandemic. These outcomes are lower than our historical outcomes, which have typically vested between 95% and 100% over the past three financial years. We expect to see this trend of lower vesting outcomes continue for future LTI tranches as the impact of the pandemic encompasses a greater proportion of the respective performance periods.

The Board is confident that the FY21 remuneration outcomes reflect the performance achieved by Dexus through a period of continuing uncertainty and reflect the returns delivered to our investors.

FY21 remuneration decisions

FY21 LTI grant changes

The environment faced in 2020 made the setting of hurdles for the FY21 LTI grant a difficult exercise. The Board recognised the importance of securing the senior leadership team in a competitive employment market by the introduction of a retention component weighted at 50% for FY21 only. This applied to all participants in the LTI plan with the exception of Darren Steinberg, Deborah Coakley and Ross Du Vernet. The Board also introduced a threshold level of vesting for AFFO growth which was below the 'through the cycle' range of 3% to 5% given the difficult operating environment. Additional detail on the changes made to the FY21 LTI grant, are detailed in section 3.3 of this report.

Board focus

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

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

In FY21, the PRC also undertook a range of activities relating to broader people and remuneration issues including:

- Delivering the Director/Employee engagement program
- Endorsing the design of FY21 Group Scorecard to the Board for approval
- Endorsing the FY21 LTI performance hurdles to the Board for approval
- Approving the Inclusion and Diversity strategic priorities and targets
- Approving the FY22 Fixed Remuneration parameters
- Monitoring the organisational culture, employee engagement and corporate culture metrics
- Reviewing talent development programs and succession planning
- Approving performance objectives and Key Performance Indicators for the CEO, Executive KMP and other executives
- Endorsing the CEO Incentive Award and Retention Equity Awards to the Board for approval
- Approving the Plan Features for the CEO Incentive Award and Retention Equity Awards
- Consulting with key stakeholders regarding proposed changes to the LTI Plan for FY22
- Approving the two additional GMC appointments effective 1 September 2020

Once-off awards

As announced to the Australian Securities Exchange on 25 May 2021, the Board determined that it was in Dexus's best interests to put in place measures to retain three Executive KMP over the next three and four years in order to maintain stability in the Executive team in a competitive employment market. This is particularly important as the Board believes these individuals have the highly sought-after skills and experience required to navigate the challenges being experienced in the Australian office market and to deliver the shift in focus of our strategic objectives. These awards were a once-off CEO Incentive Award for Darren Steinberg, and a once-off Retention Equity Award to Deborah Coakley (EGM, Funds Management) and Ross Du Vernet (Chief Investment Officer). These awards are detailed in section 3.4 of this report.

Changes to remuneration for FY22

A review of external remuneration benchmarking for senior property executives resulted in Deborah Coakley and Ross Du Vernet receiving fixed remuneration increases effective 1 July 2021. There will be no changes in FY22 to other Executive KMPs' fixed remuneration, other than the legislated superannuation increase of 0.5%. Average fixed remuneration increases for employees will be no more than 3% including the legislated superannuation increase. Non-Executive Directors' fees will increase by approximately 2%, with the Chair fee to increase by approximately 5%, effective 1 July 2021.

In response to investor and proxy advisor feedback regarding duplication of AFFO as a performance measure in the STI and LTI plans, and the Board's focus on delivering positive absolute returns to Security holders, the Board has decided to change the performance measures for the LTI plan, effective from FY22. This change has resulted in:

- The AFFO growth measure being removed from the LTI but retained as a key financial measure in the annual STI plan.
- The introduction of an Absolute Total Security holder Return (ATSR) measure with a 'through the cycle' hurdle range of 6-12% compound annual growth rate (CAGR), weighted at 40% of the award.
- Retaining the existing average ROCE measure and 'through the cycle' hurdle range of 7-10%, weighted at 40% of the award.
- The introduction of measures related to the successful execution of strategic objectives, collectively weighted at 20% of the award.

The Board is not proposing any other changes to the LTI for FY22. Further details are outlined in section 5. The Board believes the changes made in both FY21 and FY22 are in the best interests of all stakeholders by increasing alignment to our revised strategic objectives and in delivering a framework which creates sustained value for our investors.

We welcome your feedback on our remuneration framework and look forward to your continued support at our 2021 AGM.

Sincerely

Penny Bingham-Hall
Chair – People and Remuneration Committee

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

Contents

This Remuneration Report forms part of the Directors' Report and outlines the remuneration framework and outcomes for KMP in FY21.

Our remuneration approach

Our FY21 remuneration framework supported our revised strategic objectives, which are focused on delivering sustainable income streams and being a real estate investment partner of choice for third party capital. To deliver on our business strategy, market performance and Security holder returns are paramount.

The Board set performance targets for the Short-Term Incentive (STI) and Long-Term Incentive (LTI) to manage Executives' alignment to our strategy.

Our mix of financial and non-financial measures encouraged responsible decisions that benefit both the short and long term. We believe that this approach resulted in remuneration results that reflect sustainable performance through the business cycle.

1. Introduction

1.1 Key Management Personnel (KMP)

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

They comprise:
- Non-Executive Directors (NEDs)
- Executive Directors (i.e. the CEO)
- Other Executives considered KMP

The CEO and other Executives considered KMP are referred to collectively as "Executive KMP" in this report. Outlined below are the KMP of the Group during FY20 and FY21.

There have been no changes to KMP since the end of FY21 up to the date of the signing of the Directors report.

Key Management Personnel	KMP FY20	KMP FY21
Independent Non-Executive Directors		
W Richard Sheppard Non-Executive Chair	✓	✓
Patrick Allaway Non-Executive Director	From 1 February 2020	✓
Penny Bingham-Hall Non-Executive Director	✓	✓
John C Conde AO Non-Executive Director	✓	Until 2 September 2020
Tonianne Dwyer Non-Executive Director	✓	✓
Mark H Ford Non-Executive Director	✓	✓
Warwick M Negus Non-Executive Director		From 1 February 2021
The Hon. Nicola Roxon Non-Executive Director	✓	✓
Peter B St George Non-Executive Director	✓	Until 30 June 2021
Executive Director and KMP		
Darren J Steinberg Executive Director & Chief Executive Officer	✓	✓
Other Executive KMP		
Deborah C Coakley Executive General Manager, Funds Management	✓	✓
Ross G Du Vernet Chief Investment Officer	✓	✓
Kevin L George Executive General Manager, Office	✓	✓
Alison C Harrop Chief Financial Officer	✓	✓

2. Remuneration strategy and governance

2.1 Our remuneration strategy

Our Vision	Our Strategy	Our Remuneration Strategy
To be globally recognised as Australia's leading real estate company	To deliver superior risk-adjusted returns for investors from high quality real estate in Australia's major cities	To attract, retain and motivate the best people to create a great culture that delivers our business strategy and contributes to sustainable long-term returns

Remuneration principles

Culture	Alignment to performance	Market competitive	Sustainable	Simple and Transparent
We align reward to our strong risk, high performance, diverse and inclusive culture	We reward for performance aligned to our business strategy with an emphasis on equity ownership	We position reward opportunity to attract and retain the best talent	We appropriately reward for both financial and non-financial outcomes	We keep it simple and set clear expectations

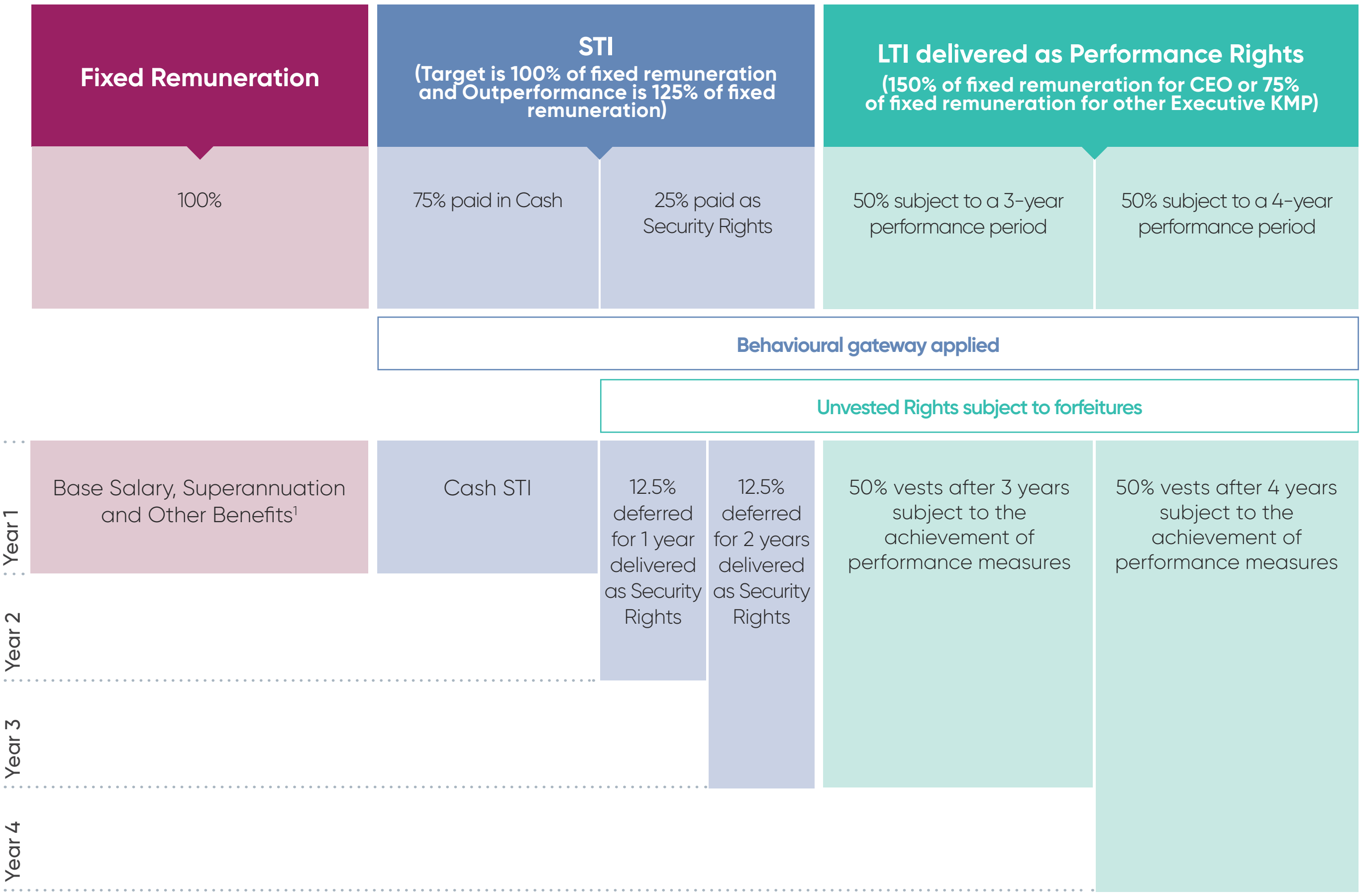
2.2 Executive remuneration components

	Fixed Remuneration (FR)	Short-Term Incentive (STI)	Long-Term Incentive (LTI)
Purpose	Attract and retain Executives with the capability and experience to deliver our strategy.	Reward for performance against annual financial and non-financial objectives.	Align performance focus with the long-term business strategy to drive sustained earnings and Security holder returns.
Link to performance	Appropriately compensate Executives for driving a great culture and delivering on the business strategy	Strategic annual objectives are embedded in each Executive's personalised scorecard of performance measures.	Performance hurdles are set by the Board over three and four-year periods to deliver sustained Security holder value.
Alignment	Attract and retain the best people based upon the competitive landscape among relevant peers.	Reward year-on-year performance achieved in a balanced and sustainable manner.	Encourage sustainable, long-term value creation through equity ownership
Delivery	Competitive, market-based fixed remuneration. (Base salary, statutory superannuation and other benefits)	Annual cash (75%) Deferred Security Rights with allocation calculated at Face Value (25%) 12.5% 1 year 12.5% 2 years	Performance Rights with allocation calculated at Face Value 50% 3 years 50% 4 years

2.3 Remuneration delivery and mix

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

Remuneration delivery



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

The diagram above does not include once-off remuneration arrangements approved by the Board during FY21. For more information, refer to section 3.3.

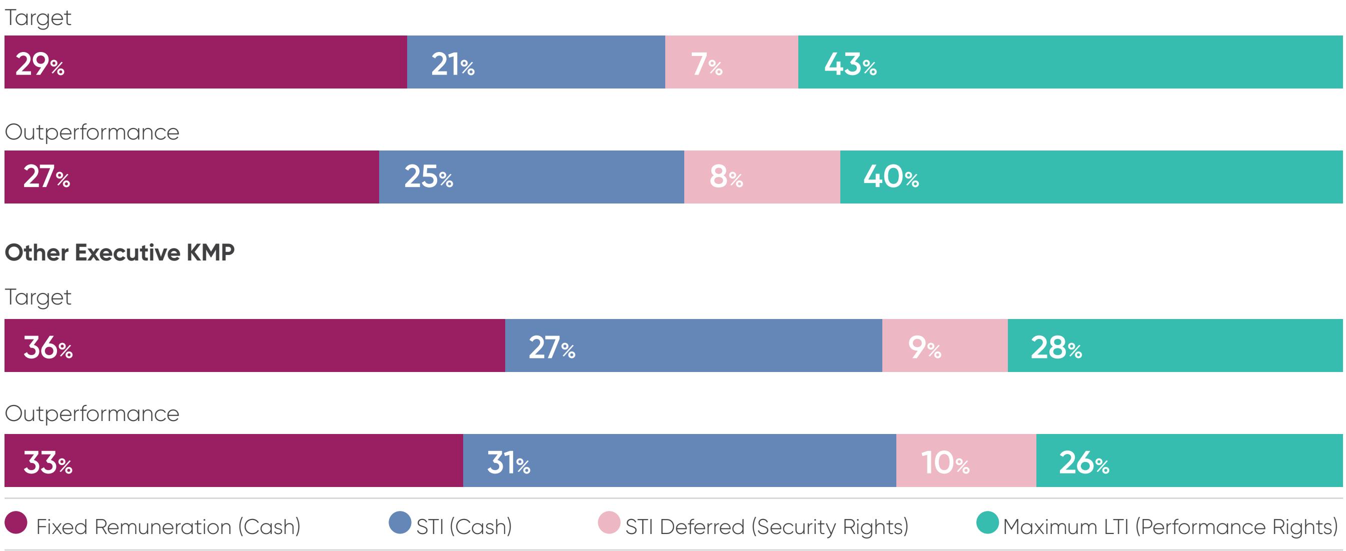
Remuneration mix

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

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

The remuneration mix below reflects the ongoing remuneration structure and does not consider any once-off arrangements. For specific details on the remuneration mix and incentive plan opportunities applying to the CEO and Other Executive KMP in FY21, refer to section 3.

CEO



2.4 Dexus Securities Trading Policy

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

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

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

2.5 Minimum Security holdings guidelines

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

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

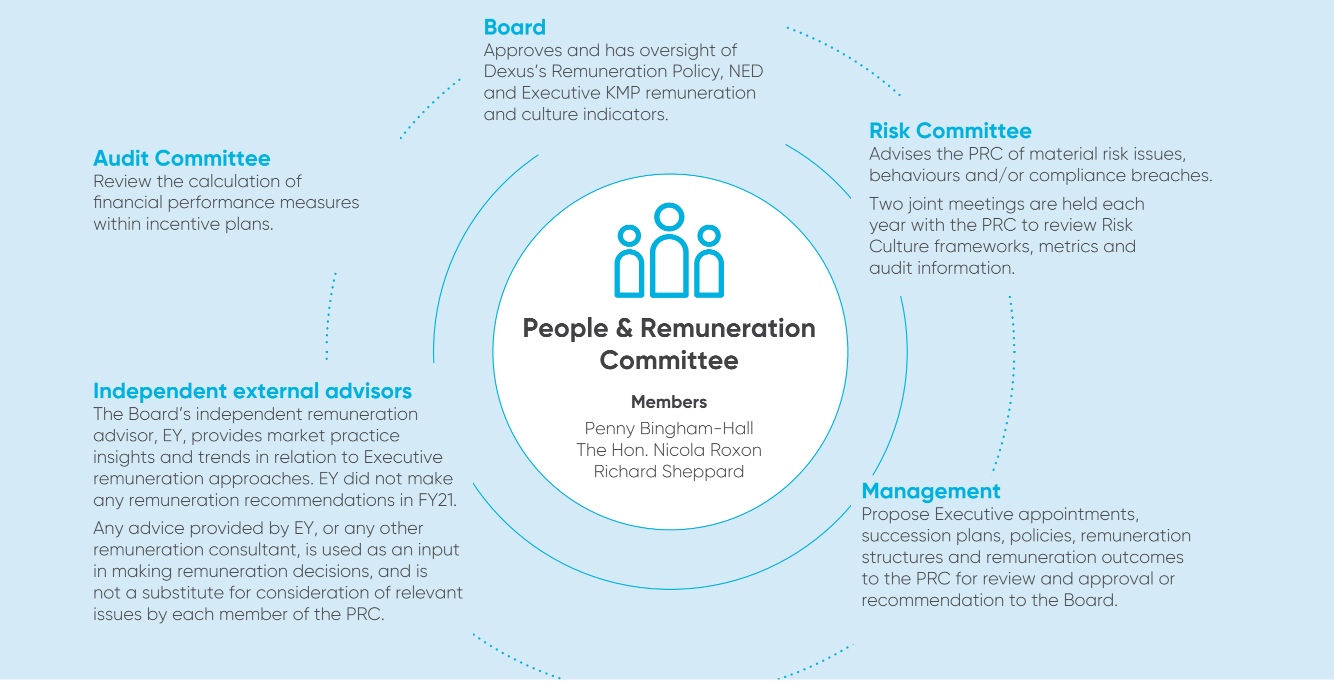
2.6 Employee Security Ownership Plan (ESOP)

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

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

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

2.7 Remuneration governance



People & Remuneration Committee (PRC)

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

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

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

Members

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

Meetings

The PRC is required to meet at least three times per year. In FY21, the PRC met five times to discuss and review remuneration, and people and culture related matters.

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

Remuneration decision making

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

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

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

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

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

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

3. FY21 remuneration structure

3.1 Fixed remuneration

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

No increases were made to annual fixed remuneration levels for Executive KMP in FY21, with the exception of Deborah Coakley (EGM, Funds Management) who received a 7.4% ($50,000) increase to her fixed remuneration to account for her expanded role.

In FY20, the CEO's base salary was reduced by 15%, while Other Executive KMP, GMC members' and other executives' base salaries were reduced by 10%, for the period 1 April 2020 to 30 June 2020. These measures were taken to assist in absorbing the financial impact of COVID-19. Base salaries reverted to prior levels at the start of FY21. Consequently, the annual fixed remuneration levels presented in this report will appear higher than those presented in our FY20 Remuneration Report.

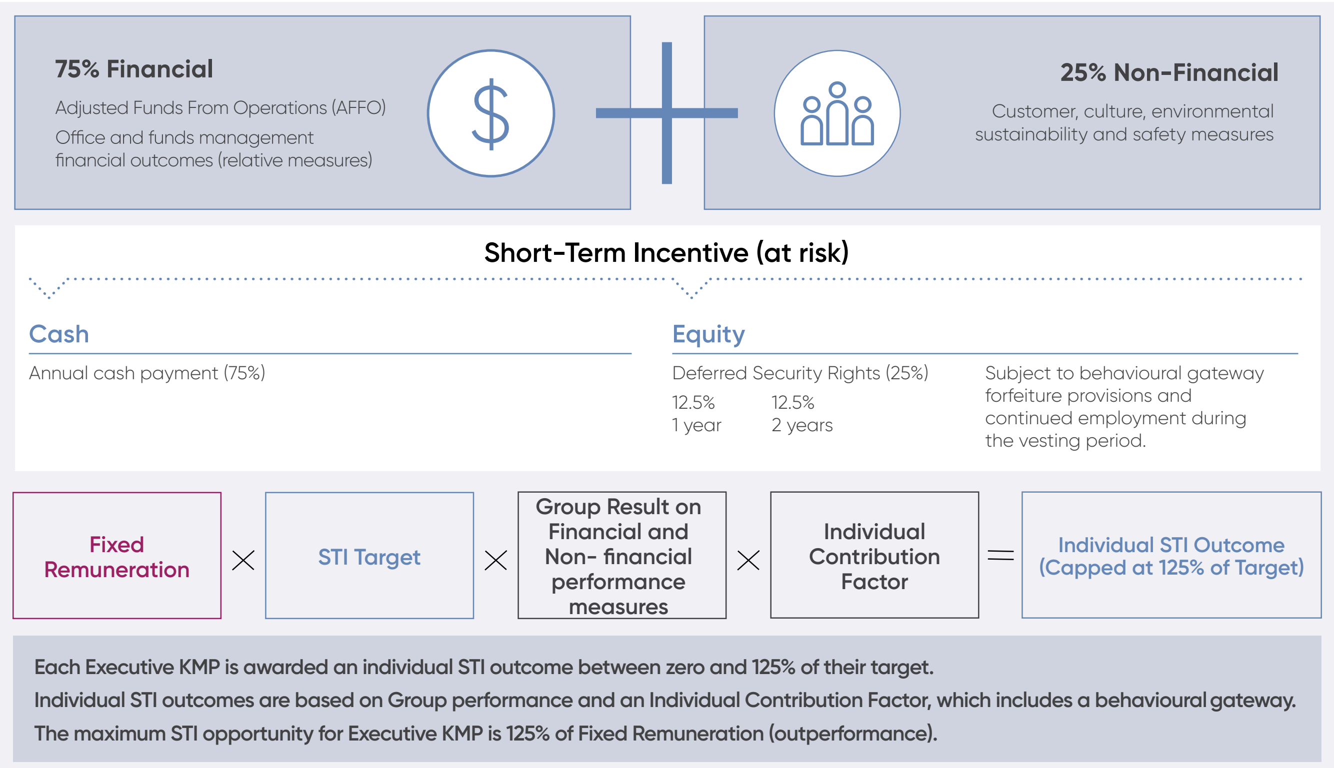
The annual fixed remuneration levels for Executive KMP in FY21 were as follows:

Executive KMP	Contract annual fixed remuneration ($)
Darren J Steinberg	1,600,000
Deborah C Coakley	725,000
Ross G Du Vernet	750,000
Kevin L George	750,000
Alison C Harrop	750,000

3.2 Short-Term Incentive (STI)

The STI plan is aligned to Security holder interests by:

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



STI plan structure

What are the financial performance measures (75% of Group results)?

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

What are the non-financial performance measures (25% of Group results)?

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

What is the behavioural gateway (across the entire award)?

In FY20, Dexus introduced a behavioural gateway for Executive KMP to further align performance with Dexus's values and expectations of executives.

The gateway requires that, for Executive KMP, there is no material financial misstatement, no workplace fatality or actions that are not in keeping with the commercial or ethical standards expected by the Board and our stakeholders. If an Executive KMP does not meet this gateway, then the individual's award will automatically be forfeited, regardless of company performance.

What is the Individual Contribution Factor (ICF) (award multiplier)?

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

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

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

How much of the STI award is deferred?

Twenty-five percent (25%) of any award under the STI plan is deferred into rights to Dexus Securities.

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

The number of Security Rights awarded is based on 25% of the awarded STI value divided by the VWAP of Dexus Securities 10 trading days either side of the first trading day of the new financial year.

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

Dexus Securities are purchased on market and held in trust to satisfy the deferred Security Rights for the STI plan.

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

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

What discretion does the Board have to determine outcomes?

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

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

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

When are STI awards forfeited?

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

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

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

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

3.3 Long-Term Incentive (LTI)

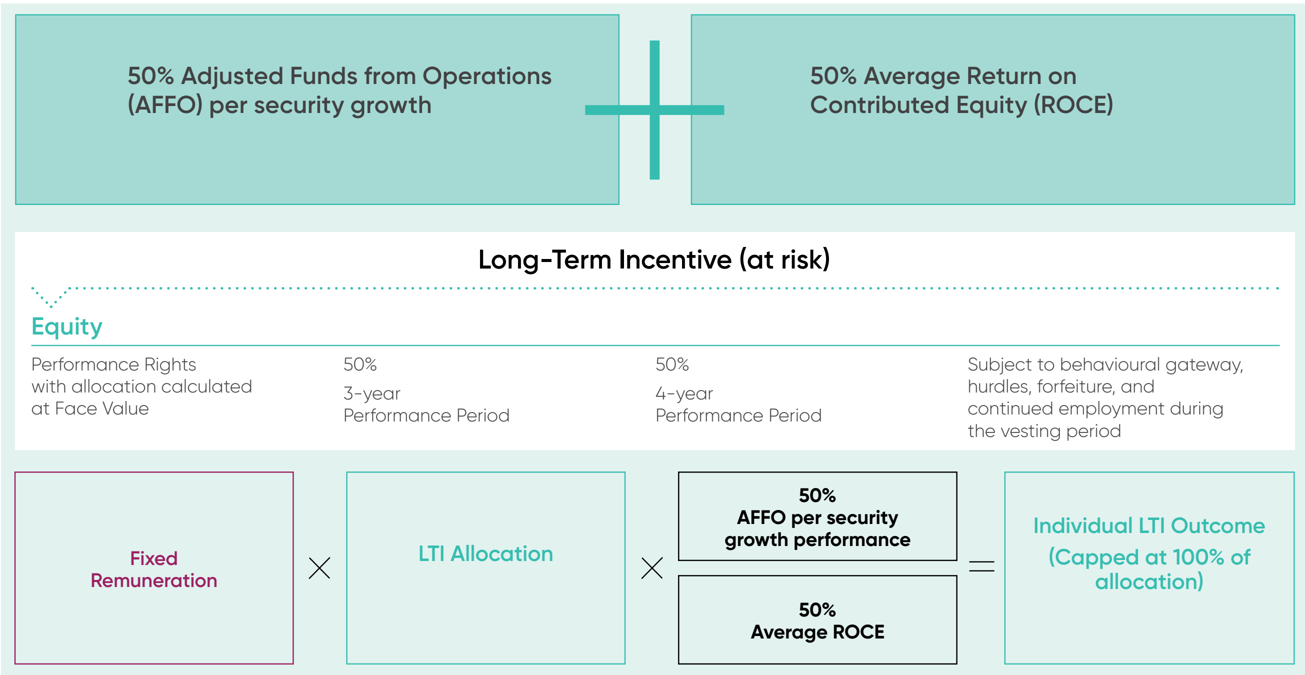
The LTI plan is aligned to Security holders' interests in the following ways:

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

CEO, EGM Funds Management and CIO

The diagram below presents an overview of the FY21 LTI structure for Darren Steinberg (CEO), Deborah Coakley (EGM Funds Management) and Ross Du Vernet (CIO).

For the FY21 LTI, the two performance conditions under the LTI plan are growth in AFFO per security (implied CAGR)[1] and average ROCE[2] over both three and four-year periods. These performance conditions are weighted equally, measured distinctly in each tranche, and align the plan outcomes with the commercial long-term performance that is within the Executives' ability to influence. The Board's view is that investors will be rewarded over time by superior market performance of the Group when Executives meet or exceed the hurdles in place.



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

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

Broader senior leadership team

For the FY21 LTI plan only, a retention component was introduced for our broader senior leadership team. This decision was made due to the criticality of retaining this team over the next three years to deliver on our revised strategic objectives. In particular, to support Dexus in navigating the challenges COVID-19 has presented to the Australian office market, growing and diversifying our funds management business and progressing our Group development pipeline.

The retention component represents 50% of the award, with the remaining 50% subject to AFFO growth and average ROCE (weighted at 25% each). Vesting of the retention component is subject to service continuity and meeting governance and behavioural standards, with 50% vesting after three-years and 50% after four-years, in line with the LTI plan structure.

The retention component does not result in any changes to LTI opportunity or the allocation methodology, which are consistent with the diagram above.

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

LTI performance measures

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

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

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

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

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

Completed developments comprise major developments defined in accordance with Dexus's guidelines for capital expenditure which have regard to the quantum of development expenditure, increase in net lettable area, leasing and/or rezoning or change of use. Completed developments exclude trading assets that generate trading profits which are captured in AFFO.

During FY21 the following completed developments, amongst others, have been included in the calculation of ROCE:

- 180 Flinders Street, Melbourne, VIC
- 47 Momentum Way, Ravenhall, VIC

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

For FY21, ROCE = ($561.7m + $42.1m) / $7,232.9m = 8.3%

Compared to the use of relative measures, the two absolute measures provide greater focus on the fundamentals of Dexus's business and on the performance of the Executive team in meeting the hurdles set by the Board.

The Board continues to review existing performance measures and their associated vesting schedules so they remain aligned with investor expectations and Dexus's revised strategic objectives. We note that the FY21 LTI grant was the last grant with AFFO growth as a performance measure, with the Board making a decision to replace AFFO with different measures from FY22 onwards. AFFO remains a critical business metric as reflected in the LTI's Average ROCE measure and the STI plan. Refer to section 5 for further detail.

LTI hurdle ranges

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

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

FY21 AFFO Targets

As part of delivering on our revised strategic objectives, since the start of FY21 Dexus has announced or completed the sale of $3.2 billion of property assets and the purchase of $6.4 billion of property assets, and has also undertaken complex transactions (e.g. ADPF and DWPF merger, proposal to acquire APN Property Group and establishment of Australian Unity relationship), which will have a material impact on AFFO growth. Additionally, the consequences of COVID-19, including rent relief measures, resulted in difficulties in setting meaningful targets for the FY21 LTI grant. As at the time of the Annual General Meeting in October 2020, the Board had not confirmed the details for the FY21 LTI grant. Subsequently, the Board reviewed the LTI performance hurdles and ranges, with the principle of rewarding for long-term value creation. The decision was made to introduce a "below the range threshold" for AFFO growth, where 25% of the AFFO component would vest (rather than 0% in prior years, when performance was below the minimum target of 3%).

AFFO and ROCE Performance	Vesting outcome	Hurdle range
Below Threshold Performance	Nil vesting	Below threshold set by the Board
Threshold Performance	AFFO: 25% Vesting ROCE: Nil vesting	For AFFO, a 'threshold' set by the Board for FY21 only Not applicable to ROCE
Target performance	50% vesting	Set between the 'through the cycle' range set by the Board of: – AFFO per security growth 3% to 5% – ROCE 7% to 10%
Between Target and Outperformance	Straight line vesting	
Outperformance	100% vesting	Within or above the 'through the cycle' hurdle range

LTI plan structure

How is the number of Performance Rights determined?

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

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

Do participants receive distributions on unvested LTI awards?

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

What discretion does the Board have to determine outcomes?

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

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

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

When are LTI awards forfeited?

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

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

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

How is the LTI Plan administered?

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

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

3.4 Once-off awards made in FY21

As announced to the Australian Securities Exchange on 25 May 2021, the Board has introduced once-off awards to retain three Executive KMP, including the CEO, over the next three and four years. The Board believes these individuals have the highly sought-after skills required to support Dexus in navigating the challenges being experienced in the Australian office market and the shift in focus to deliver our revised strategic objectives.

These awards comprise a once-off CEO Incentive Award to our CEO, Darren Steinberg, and a once-off Retention Equity Award to both Deborah Coakley (EGM, Funds Management) and Ross Du Vernet (CIO).

CEO Incentive Award

Why has this award been made for FY21?

Darren Steinberg is well regarded as one of Australia's leading CEOs and has a proven track record of creating value for investors. Over Darren's tenure, Dexus has delivered an annual compound TSR of 12.9% versus the ASX 200 REIT sector of 11.7%. The Board unanimously supports retaining and rewarding Darren, which will provide the necessary leadership and experiences to help Dexus navigate the challenges and capitalise on the opportunities expected across the Australian real estate market by delivering on critical strategic objectives set by the Board. Specifically, the award aims to:

- Maintain the stability of our Executive team in a competitive employment market, which is critical to minimise any disruption to the execution of the Group's current and future strategic growth initiatives;
- Provide stability to Dexus as Darren leads our internal CEO successor development; and
- Provide further alignment with our investors due to the increase in potential equity ownership, rather than an increase in fixed remuneration

How is the award delivered?

The CEO Incentive Award was granted on 1 June 2021 and was issued in the form of Dexus Performance Rights with a face value of $3.5 million. The number of performance rights was determined by the VWAP of Dexus Securities over a three-month period ending 31 May 2021. Dexus Securities for this award were acquired on-market and are held in trust. The table below provides an overview of the number of performance rights held under the CEO Incentive Award.

Executive KMP	Grant date	Number of performance rights granted	VWAP value per performance right	Face value of grant	Vesting date
Darren J Steinberg	1 June 2021	356,335	$9.82	$3,500,000	1 July 2024

Does the participant receive distributions on the unvested award?

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

What are the performance conditions?

Performance under the Award will be based on the Board's overall assessment of how well the CEO has supported Dexus in navigating the challenges in the office market, maintaining a market leading position in ESG and delivering long-term value for our investors. The Board will determine the percentage of Performance Rights to vest with reference to these over-arching criteria and the successful delivery of key strategic measures over the three-year period, specifically:

- Diversification of capital partners and investors, and overall growth in funds management
- Strategic acquisition and divestment of assets across the Dexus investment portfolio, and
- Progressing the Group development pipeline

More detail on how these measures will be assessed is outlined in section 5.3 of this report.

How is vesting of the award determined?

The Performance Rights will vest after three years, subject to the achievement of the performance conditions outlined above, service continuity and behavioural and governance standards being met. Where the CEO ceases employment prior to the end of the vesting period, good leaver provisions may apply on unvested Performance Rights at the discretion of the Board.

Retention Equity Award (CIO and EGM, Funds Management)

Why has this award been introduced for FY21?

The Board also approved a once-off Retention Equity Award for Deborah Coakley and Ross Du Vernet.

Dexus is currently moving into a growth phase consistent with the Group's strategic objective of being a wholesale partner of choice, and its focus on expanding and diversifying the funds management business. The Board believes that the Retention Equity Award recognises the importance of Deborah Coakley and Ross Du Vernet to the leadership of Dexus and minimises any disruption to delivering on this growth strategy.

The Board also believes that there is a need to strengthen our succession planning within our senior leadership talent and maintain the stability of our executive team in a competitive employment market.

How are the awards delivered?

The Retention Equity Award was granted on 14 December 2020 and was issued in the form of Dexus Security Rights with a face value of $1.5 million for each participant. The number of Security Rights was determined by the VWAP of Dexus Securities 10 trading days either side of 1 December 2020. Dexus Securities for this award were acquired on-market and are held in trust. The table below provides an overview of the number of Security Rights held under the Retention Equity Award.

Executive KMP	Grant date	Number of rights granted	VWAP value per performance right	Face value of grant	1st vesting date (50% of award)	2nd vesting date (50% of award)
Deborah C Coakley	14 December 2020	153,480	$9.77	$1,500,000	14 December 2023	14 December 2024
Ross G Du Vernet	14 December 2020	153,480	$9.77	$1,500,000		

Do participants receive distributions on unvested awards?

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

How is vesting of the awards determined?

The Security Rights will vest after three and four years (50% each year), subject to service continuity and behavioural and governance standards being met. No "good leaver" provisions will apply, with the award being forfeited in full upon the cessation of employment, unless the Board at its discretion determines otherwise.

4. FY21 performance and remuneration outcomes

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

4.1 Group scorecard performance outcomes

For the FY21 STI, the Board considered a range of financial and non-financial performance measures and hurdles that, if achieved, would be key indicators of company performance and drivers of Security holder value. The unprecedented conditions experienced in 2020 meant that the Board set performance targets for the FY21 STI in line with business forecasts in November 2020. These targets were again reviewed in February 2021, with no adjustments to performance expectations made at that time. This differed from our typical approach of setting the targets at the commencement of the performance period.

Financial performance (75%)

Category	Measurements	FY21 result	Highlights
Group performance (50%)			
	– AFFO per security growth **Threshold:** Behavioural Gateway and –1% **Target:** 0% **Outperformance:** 3% or greater	62.5%	– AFFO per security of 51.8 cents, reflecting 3% growth on FY20 (50.3 cents) was above the target which was to achieve AFFO per security consistent with FY20 (0% growth) (**Outperformance** achieved)
Balance Sheet Office Portfolio (12.5%)			
	– Dexus's office portfolio performance versus external benchmarks over 3 and 5 years **Threshold:** 0.5% below index **Target:** In-line with index **Outperformance:** 0.5% above index	5%	– Dexus's office portfolio underperformed the external office benchmark over 3 and 5 years, by -0.7% and less than -0.1% respectively. The 5-year return was within the threshold of 0.5% below the index (**Threshold** achieved)
Funds' performance (12.5%)			
	– Performance relative to external/industry benchmarks over three and five years – All other funds outperforming financial objectives and hurdles **Threshold:** At least 60% of unlisted Funds outperforming benchmark or financial objectives/hurdles **Target:** At least 70% of unlisted Funds outperforming benchmark or financial objectives/hurdles **Outperformance:** At least 80% of unlisted Funds outperforming benchmark or financial objectives/hurdles	12.5%	– Five out of seven funds within the funds management business outperformed their external benchmark or the financial objectives and measures agreed with fund partners (**Target** achieved)

Non-financial performance (25%)

Category	Measurements	FY21 result	Highlights
Customer (10%)			
	– Customer Net Promoter Score (NPS) **Threshold:** +30 **Target:** +41 to +45 **Outperformance:** +45	12.5%	– Customer NPS of +46 (**Outperformance** achieved)
People & capabilities (10%)			
	– Safety audit score and zero fatalities from incidents **Threshold:** Zero fatalities and 85% safety audit score **Target:** Zero fatalities and 90% safety audit score **Outperformance:** Zero fatalities and 95% safety audit score	7.4%	– Zero fatalities and a safety audit score of 100% across Dexus's corporate and management workplaces (**Outperformance** achieved)
	– Employee NPS hurdle **Threshold:** +30 **Target:** +41 to +45 **Outperformance:** +45		– Employee NPS +43 (**Target** achieved)
	– Implementation of Program One (multi-year technology systems upgrade and consolidation project) **Threshold:** Technology implemented **Target:** Efficiencies met **Outperformance:** Program completed		– Delivery of Phase four of Program One has been delayed due to COVID-19 and transactional priorities (**Threshold** not achieved)
Environment (5%)			
	– Performance relative to four ESG benchmarks: PRI, GRESB, DJSI and CDP **Threshold:** Strong performance against all 4 benchmarks **Target:** Threshold plus leading performance against 2 of 4 benchmarks **Outperformance:** Threshold plus leading performance against all 4 benchmarks	6.3%	– Dexus achieved leading performance against all four of its ESG benchmarks for FY21 (**Outperformance** achieved)
Actual Group scorecard outcome		**106.2%**	

Key

Category	Culture	Alignment to performance	Market competitive	Sustainable	Simple and transparent
FY21 Result	Outperformance (above target)	Target (full achievement against targets)	Partial (between Threshold and Target achievement)	Threshold (minimum achievement against targets)	Not achieved

4.2 FY21 STI remuneration outcomes

The PRC reviewed FY21 STI outcomes against company performance and determined that the Group scorecard outcome was 106.2% of target. The PRC deemed these results consistent with the objectives of the STI and recommended to the Board that the final Group scorecard outcome be 106.2%, which was subsequently approved.

As part of the FY21 performance assessment, the Board considered whether any discretion on the STI outcomes should be applied, in light of the challenges in setting targets, and the better-than-expected AFFO performance. However, the Board is confident that the 3% growth in AFFO and Dexus's performance against the other STI measures, outlined above, were achieved as a result of active portfolio management and the successful execution of key strategic initiatives. As such, the Board did not exercise any discretion (upward or downward) to adjust the FY21 Group scorecard outcome.

Additionally, the Executive KMPs' Individual Contribution Factors ranged from 100% to 125% and were determined with reference to each Executive KMP's personalised scorecard of performance measures and leadership contribution during FY21.

This resulted in the Board awarding the CEO 100% of the maximum STI in FY21. For other Executive KMP, the STI awards ranged from 85% to 100% of maximum STI.

The STI awards made to each Executive KMP with respect to their performance during the year ended 30 June 2021 are provided below. The 75% cash component will be paid in August 2021 following the approval of the statutory accounts and announcement of the Group's annual results. This payment will form a part of the FY22 cash earnings for Executive KMP.

Executive KMP	STI target % of fixed remuneration	STI max % of fixed remuneration	STI award ($)	% of target STI awarded	% of maximum STI awarded	% of maximum STI forfeited	% of STI award deferred
Darren J Steinberg	100%	125%	$2,000,000	125%	100%	0%	25%
Deborah C Coakley	100%	125%	$906,250	125%	100%	0%	25%
Ross G Du Vernet	100%	125%	$937,500	125%	100%	0%	25%
Kevin L George	100%	125%	$937,500	125%	100%	0%	25%
Alison C Harrop	100%	125%	$796,500	106.2%	85%	15%	25%

Deferred STI

The number of Security Rights granted to Executive KMP is determined by dividing the Deferred STI value by the VWAP of Dexus Securities ten trading days either side of the first trading day of the new financial year, which was $10.67.

The below details the number of Security Rights granted to Executive KMP on 1 July 2021 under the Deferred STI plan. Dexus Securities relating to Deferred STI are purchased on-market in accordance with ASX Listing Rule 10.15B and are held by the Dexus Performance Rights Plan Trust until required.

Executive KMP	Value of deferred STI $	Number of Security Rights granted	1st vesting date 50%	2nd vesting date 50%
Darren J Steinberg	$500,000	46,876		
Deborah C Coakley	$226,562	21,240		
Ross G Du Vernet	$234,375	21,973	1 July 2022	1 July 2023
Kevin L George	$234,375	21,973		
Alison C Harrop	$199,125	18,668		

4.3 LTI awards which vested during FY21

AFFO per security growth and average ROCE were established as the performance measures in 2016.

As disclosed in last year's Remuneration Report, the second tranche of the FY17 LTI plan and the first tranche of the FY18 LTI plan vested for participating Executive KMP on 1 July 2020. The vesting outcomes of 100% and 100% respectively were determined by the Board, referencing the previously approved hurdle ranges.

The vesting outcomes outlined below were not impacted by COVID-19, as only a small proportion of the three and four-year performance periods were impacted (i.e. three months for each tranche).

Results of each performance measure for the second tranche of the FY17 LTI Plan:

Performance measure	Weighting	Hurdle range	Group result	Vesting outcome
AFFO per security growth[1]	50%	3.5% – 4.5%	5.1%	100%
Average ROCE[2]	50%	7.5% – 8.0%	8.6%	100%
		Overall result due to weighting	**100%**	

Results of each performance measure for the first tranche of the FY18 LTI Plan:

Performance measure	Weighting	Hurdle range	Group result	Vesting outcome
AFFO per security growth[3]	50%	3.0% – 4.0%	4.3%	100%
Average ROCE[4]	50%	7.5% – 8.0%	8.9%	100%
		Overall result due to weighting	**100%**	

1 AFFO growth for the FY17 LTI Plan was measured on a linear scale for testing, with a 3.5% CAGR set as the target hurdle (where 50% would vest) and 4.5% set as the outperformance hurdle (where 100% would vest). Dexus's AFFO growth result over the four-year performance period was 5.1%, resulting in full vesting from this performance measure.

2 Average ROCE for the FY17 LTI Plan was measured on a linear scale for testing, with a 7.5% ROCE average set as the target hurdle (where 50% would vest) and 8.0% set as the outperformance hurdle (where 100% would vest). Dexus's ROCE growth result over the four-year period was 8.6%, resulting in full vesting from this performance measure.

3 AFFO growth for the FY18 LTI Plan was measured on a linear scale for testing, with a 3.0% CAGR set as the target hurdle (where 50% would vest) and 4.0% set as the outperformance hurdle (where 100% would vest). Dexus's AFFO growth result over the four-year performance period was 4.3%, resulting in full vesting from this performance measure.

4 Average ROCE for the FY18 LTI Plan was measured on a linear scale for testing, with a 7.5% ROCE average set as the target hurdle (where 50% would vest) and 8.0% set as the outperformance hurdle (where 100% would vest). Dexus's ROCE growth result over the four-year period was 8.9%, resulting in full vesting from this performance measure.

4.4 LTI awards which will vest in FY22

On 1 July 2021, the second tranche of the FY18 LTI plan and the first tranche of the FY19 LTI plan were eligible for vesting for participating Executive KMP.

The vesting outcome was determined by the Board, referencing the previously approved hurdle ranges set and communicated to participants upon the original grant dates of 1 July 2017 and 1 July 2018 respectively.

Despite our strong performance during much of the performance period, our AFFO growth and ROCE performance were adversely impacted by the COVID-19 pandemic given that a significant proportion of the three and four-year performance periods were impacted (i.e. more than 12 months). These outcomes are lower than our historical outcomes, which have typically vested between 95% and 100% over the past three financial years.

We expect to see this trend of lower vesting outcomes continue for future LTI tranches as the impact of the pandemic encompasses a greater proportion of the respective performance periods.

Results of each performance measure within tranche 2 of the FY18 LTI plan:

Performance measure	Weighting	Hurdle range	Group result	Vesting outcome
AFFO per security growth	50%	3.0% – 4.0%	3.9%	94.7%
Average ROCE	50%	7.5% – 8.0%	8.8%	100%
		Overall result due to weighting	**97.4%**	

Results of each performance measure within tranche 1 of the FY19 LTI plan:

Performance measure	Weighting	Hurdle range	Group result	Vesting outcome
AFFO per security growth	50%	3.0% – 4.0%	3.1%	56.4%
Average ROCE	50%	8.5% – 9.5%	9.2%	82.5%
		Overall result due to weighting	**69.5%**	

Further details of these vesting tranches will be provided in the FY22 Remuneration Report.

4.5 Actual remuneration based on performance and service through FY21

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

- Cash salary including any salary sacrifice arrangements
- Superannuation benefits
- Other short-term benefits comprised of the wellbeing allowance and insurance arrangements provided to all employees
- STI cash payment to be made in August 2021 in recognition of performance during FY21 (noting that 25% of the award is deferred and will be reported in future years)
- The value of the deferred STI from prior years that vested on 1 July 2021 (being the number of Security Rights that vested multiplied by the VWAP for the five days prior to the vesting date)
- The value of Performance Rights that vested in relation to the LTI on 1 July 2021 (being the number of Performance Rights that vested multiplied by the VWAP for the five days prior to the vesting date)
- Note, the once-off CEO Incentive award and Retention Equity award outlined in section 3.4 are not included in the table below, as no Performance Rights or Security Rights had vested in FY21 and, consequently the value would not be realised until future financial years

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

Executive	Base salary ($)	Superannuation benefits ($)	Other short-term benefits ($)	STI cash payment ($)	Deferred STI vested ($)	LTI vested ($)	Total ($)
Darren J Steinberg	1,578,306	21,694	6,489	1,500,000	388,638	1,953,472	5,448,599
Deborah C Coakley	703,308	21,694	2,950	679,688	153,613	358,160	1,919,413
Ross G Du Vernet	728,306	21,694	2,621	703,125	182,184	441,609	2,079,539
Kevin L George	728,306	21,694	7,190	703,125	166,626	441,609	2,068,550
Alison C Harrop	728,306	21,694	5,847	597,375	163,592	410,123	1,926,937

4.6 Historical performance outcomes

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

Five-year financial performance

		FY21	FY20	FY19	FY18	FY17
Funds From Operations (FFO)	($m)	717.0	730.2	681.5	653.3	617.7
Adjusted Funds From Operations (AFFO)	($m)	561.7	550.5	517.2	485.5	439.7
Net Profit After Tax (NPAT)	($m)	1,138.4	927.7[1]	1,281.0	1,728.9	1,264.2
AFFO per security	(cents)	51.8	50.3	50.3	47.7	45.4
AFFO per security growth	**(%)**	**3.0**	**0**	**5.5**	**5.1**	**6.3**
Distribution per security (DPS)	(cents)	51.8	50.3	50.2	47.8	45.47
Return on Contributed Equity (ROCE)	**(%)**	**8.3**	**9.0**	**10.1**	**7.6**	**7.6**
Closing Dexus security price	($)	10.67	9.20	12.98	9.71	9.48
NTA per security	($)	11.42	10.86	10.48	9.64	8.45

1 Includes a prior year $10.3m (post tax) restatement for IFRIC SaaS customisation expenses.

Total Security holder Return performance

The below provides an overview of Dexus's total Security holder return performance for the periods to 30 June 2021 compared to 30 June 2020 and the performance of the S&P/ASX 200 Property Accumulation Index over the same periods. Dexus delivered an improved total Security holder return of 22.0% for the year to 30 June 2021, however underperformed the S&P/ASX 200 Property Accumulation Index due to the strong performance of fund managers and residential exposed peers. Dexus maintains its outperformance of the index over three, five and ten year time horizons, delivering an annual compound return of 13.0% over the past ten years.

	1 Year		3 Years*		5 Years*		10 Years*	
Performance as at	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Dexus	22.0%	-25.7%	8.1%	3.7%	8.4%	9.8%	13.0%	12.9%
S&P/ASX 200 Property Accumulation Index	33.2%	-21.3%	7.7%	2.0%	5.8%	4.4%	11.8%	9.2%

Source: UBS Australia and Factset at 30 June 2021 and 30 June 2020.
*Annual compound returns.

4.7 Statutory remuneration

The total remuneration paid to Executive KMP for FY21 and FY20 is calculated in accordance with AASB 124 Related Party Disclosures. Amounts shown under Long-term benefits reflect the accounting expense recorded during the year with respect to prior year deferred remuneration and awards that have vested or are yet to vest.

		Short term benefits				Long term benefits			Security-based benefits			
Executive KMP	Year	Base salary[1]	STI award	Annual leave movement[2]	Other short term benefits	Super-annuation benefits	Termination benefits	Long service leave movement[2]	Deferred STI plan accrual	LTI plan accrual	Once-off incentive awards[3]	Total
Darren J Steinberg	FY21	1,578,306	1,500,000	9,053	6,489	21,694	–	45,344	404,713	1,561,533	78,596	5,205,728
	FY20	1,519,785	855,000	6,367	6,132	21,003	–	40,480	420,478	1,402,755	–	4,272,000
Deborah C Coakley	FY21	703,308	679,688	19,636	2,950	21,694	–	23,394	173,424	335,574	199,749	2,159,417
	FY20	637,647	360,703	-7,826	2,503	21,003	–	17,743	160,902	275,082	–	1,467,757
Ross G Du Vernet	FY21	728,306	703,125	-21,049	2,621	21,694	–	20,662	189,712	368,749	199,749	2,213,569
	FY20	710,772	400,781	-14,034	2,512	21,003	–	18,444	193,005	318,192	–	1,650,675
Kevin L George	FY21	728,306	703,125	-1,498	7,190	21,694	–	18,778	182,974	363,566	–	2,024,135
	FY20	710,772	384,750	19,688	5,342	21,003	–	16,483	178,021	320,130	–	1,656,189
Alison C Harrop	FY21	728,306	597,375	13,924	5,847	21,694	–	13,891	167,191	357,053	–	1,905,281
	FY20	710,772	384,750	-51	5,807	21,003	–	33,305	174,259	304,774	–	1,634,618
Total	**FY21**	**4,466,532**	**4,183,313**	**20,066**	**25,097**	**108,470**	**-**	**122,069**	**1,118,014**	**2,986,475**	**478,094**	**13,508,130**
	FY20	**4,289,750**	**2,385,984**	**4,144**	**22,296**	**105,015**	**-**	**126,455**	**1,126,665**	**2,620,932**	**-**	**10,681,241**

1. FY20 base salary was reduced due to COVID-19 by 15% for the CEO and 10% for Other Executive KMP for a three-month period. FY21 base salaries returned to prior levels effective 1 July 2020.
2. The accounting value of leave movements may be negative; for example, where an Executive's annual leave balance decreases as a result of taking more than the 20 days' annual leave they accrue during the current year. Long service leave accrues from five years of service and the accrual may seem high in the first year.
3. The once-off incentive awards reflect the CEO Incentive Award and Retention Equity Award as outlined in section 3.4.

4.8 Future LTI grants with respect to FY22 (FY22 LTI grant)

The number of Performance Rights to be granted to Executive KMP is determined by dividing the LTI grant value by the VWAP of Dexus Securities 10 trading days either side of the first trading day of the new financial year, which was $10.67. The minimum value of the LTI grant is nil if the performance measures are not met. The maximum value is based on the estimated fair value calculated at the time of the LTI grant and amortised in accordance with the accounting standard requirements.

The table below details the number of Performance Rights to be granted to Executive KMP on 1 July 2021 under the FY22 LTI plan, noting the CEO grant is subject to Security holder vote at the 2021 AGM. Dexus Securities relating to LTI grants are purchased on-market in accordance with ASX Listing Rule 10.15B and are held by the Dexus Performance Rights Plan Trust until required.

The performance hurdles for the FY22 LTI grant will be set by the Board as referred in section 5 on page 99 of this report.

Executive KMP	Grant value as a % of fixed remuneration	Performance measure	Number of Performance Rights granted	VWAP value per Performance Right	Fair value per Performance Right[1]	Maximum total value of grant[2]	1st vesting date 50%	2nd vesting date 50%
Darren J Steinberg	150%	ROCE	90,002	$10.67	$8.95	805,068	1 July 2024	1 July 2025
		ATSR	90,002	$10.67	$2.91	261,906		
		Strategic measures	45,000	$10.67	$8.95	402,525		
Deborah C Coakley	75%	ROCE	22,500	$10.67	$8.95	201,263		
		ATSR	22,500	$10.67	$2.91	65,475		
		Strategic measures	11,251	$10.67	$8.95	100,640		
Ross G Du Vernet	75%	ROCE	22,500	$10.67	$8.95	201,263		
		ATSR	22,500	$10.67	$2.91	65,475		
		Strategic measures	11,251	$10.67	$8.95	100,640		
Kevin L George	75%	ROCE	21,094	$10.67	$8.95	188,686		
		ATSR	21,094	$10.67	$2.91	61,384		
		Strategic measures	10,547	$10.67	$8.95	94,343		
Alison C Harrop	75%	ROCE	21,094	$10.67	$8.95	188,686		
		ATSR	21,094	$10.67	$2.91	61,384		
		Strategic measures	10,547	$10.67	$8.95	94,343		

1 Fair value for the LTI reflects the average valuation of Tranche 1 ($9.17) and Tranche 2 ($8.72) for ROCE and Strategic Measures and the average valuation of Tranche 1 ($3.03) and Tranche 2 ($2.79) for ATSR. Valuations were provided by EY under the Black-Scholes Analytic model.

2 The maximum total value of the grant reflects the numbers of Performance Rights granted multiplied by the fair value per Right.

5. FY22 remuneration changes

5.1 Executive remuneration components

In FY21, the PRC reviewed the appropriateness of the executive remuneration framework so that it remains fit for purpose with our refreshed strategy, addresses market competitiveness and provides an appropriate balance of components to encourage our executives to deliver sustainable returns to our investors. This review assessed:

- Fixed remuneration, STI and LTI opportunity levels; and
- The STI and LTI structure

The PRC reviewed the framework in light of the uncertainty of the economic recovery, the operating challenges Dexus is likely to face going forward and feedback from Security holders and proxy advisers in relation to the duplication of AFFO in the STI and LTI plan. The changes that have been introduced from FY22 and beyond are outlined below.

Fixed Remuneration	There will be two increases to Executive KMP fixed remuneration, being our EGM, Funds Management who will receive a fixed remuneration increase of 10.3% to $800,000 and Chief Investment Officer who will receive a fixed remuneration increase of 6.7% to $800,000. Following this increase, both KMPs' fixed remuneration level will remain below equivalent roles among A-REIT peers. However, their overall remuneration packages will be broadly aligned to market. This increase has been made to reflect their enhanced contribution to Dexus's senior leadership team and the revised strategic objectives. Recent activity led by both KMP has resulted in an increase in funds under management of approximately $9 billion.
STI	There will be no changes to the STI opportunity or structure for FY22, as the Board believes the STI remains appropriate and fit for purpose.
LTI	From FY22 onwards, the Board has made the decision to change the LTI performance measures. The FY22 LTI plan will be subject to three, rather than two, LTI performance measures, with 40% of the award based on ATSR, 40% on Average ROCE and 20% on strategic measures. There are no other changes proposed to the LTI opportunity or structure for FY22. The Board believes that the three performance measures focus on providing enhanced value creation to our investors, a clear linkage between pay and performance and encouraging our Executive KMP to drive sustainable business performance. This change has resulted in: – Removing the AFFO growth measure to address investor feedback in relation to the duplication of AFFO in the STI and LTI. However, we note that AFFO remains a business metric as reflected in the LTI's Average ROCE measure and the STI plan. – Introducing an ATSR measure, which will focus executives on creating value for our investors. The Board believes that using an absolute TSR measure, rather than a relative measure, provides greater focus on the fundamentals of Dexus's business. ATSR also removes the challenge in setting an appropriate peer group, which would be required under a relative measure. The ATSR measure performance expectations will encompass a "through the cycle" target range of 6-12% and be measured on a compound annual growth rate (CAGR) basis. – Retaining the average ROCE performance measure, as ROCE remains a relevant business metric for Dexus. The average ROCE performance vesting schedule will continue to be within the "through the cycle" target range of 7% and 10% annualised. – Introducing a measure related to the achievement of strategic objectives, collectively weighted at 20%, to focus participants on the execution of Dexus's strategy. Specifically, the strategic measures were chosen to reward executives for the future delivery of initiatives that position Dexus for sustained long-term growth and creation of Security holder value. The Board believes that there are non-financial outcomes (in addition to financial outcomes), which help to create value for all stakeholders (investors, customers and team members), support long-term sustainable performance and reinforce the Group's strong corporate reputation. The strategic measures are outlined in more detail below.

5.2 Return on Contributed Equity

The Board have decided to retain the average ROCE performance measure within the LTI plan for FY22. More information on our ROCE methodology can be found in section 3.3

5.3 Absolute Total Security holder Return

ATSR performance will be measured using a Compound Annual Growth Rate (CAGR) over the respective 3 or 4 year LTI plan periods, with distributions considered to be reinvested.

The ATSR calculation used for the LTI plan period will be: Closing Price x Distribution Reinvestment Factor / (divided by) Starting Price - 1.

Where: CAGR = (1 + ATSR)^(1/n) - 1
n: The length of the performance period (years).

"Closing Price" is the Volume Weighted Average Price (VWAP), adjusted for capital changes, of Dexus securities for the 20 trading days prior to the completion of the LTI plan period.

"Distribution Reinvestment Factor" assumes distributions paid during the LTI plan period are reinvested at the ex-distribution date, resulting in an increased notional holding.

"Starting Price" is the VWAP, adjusted for capital changes, of Dexus securities for the 20 trading days prior to the commencement of the LTI plan period.

5.4 Strategic measures

The Board believes that the strategic measures should be assessed over a three and four-year period as this allows decisions to be made and assessed over the long term. The strategic measures will be outlined in the Remuneration Report at the beginning of the assessment period. At the end of each financial year, the Board will consider the Group's progress against the strategic measures set at the beginning of the performance period and provide an annual update of this assessment to our investors through our Remuneration Report.

At the conclusion of the three and four year periods, the Board will make a final assessment of the extent to which strategic measures have been met. The strategic measures selected for FY22 are key objectives that the Board believes will be fundamental to Dexus creating value for Security holders over the period ahead and include a focus on navigating the challenges in the office market and maintaining a market leading position in ESG. The specific strategic measures for FY22 to FY24/25 are outlined below and collectively equate to 20% of the total FY22 LTI grant.

Strategic Measures – FY22 to FY24/25		Examples of assessment criteria
Funds Management	Diversification of capital partners and investors, and overall growth in funds management	– Number of new capital partners and funds – Investor composition of funds management business – Group funds under management (FUM) growth – Performance of funds against benchmarks and/or hurdle rates
Transactions	Strategic acquisitions and divestments of assets across the Dexus investment portfolio	– Volume and value of completed transactions – Original business case met or exceeded for transactions – Achievement of portfolio and fund objectives via transactional activity
Developments	Progressing the Group development pipeline	– Milestone delivery for committed major projects – Amount of income growth attributable to completed projects – Successful conversion of non-committed Group pipeline – Securing development partnerships with capital partners and funds

6. Terms of Executive KMP service agreements

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

<table>
<tr><th></th><th>CEO</th><th>Other Executive KMP</th></tr>
<tr><td>Employment agreement</td><td>An ongoing Executive Service Agreement.</td><td>An ongoing Executive Service Agreement or individual contract.</td></tr>
<tr><td rowspan="2">Resignation by the Executive</td><td>Resignation by the CEO requires a six-month notice period. The Group may choose to place the CEO on leave or make a payment in lieu of notice at the Board's discretion.

All unvested incentive awards are forfeited.</td><td>Resignation by other Executive KMP requires a three-month notice period. The Group may choose to place the Executive on leave or make a payment in lieu of notice at the Board's discretion.

All unvested incentive awards are forfeited.</td></tr>
<tr><td colspan="2">In the case of resignation, through mutual agreement (e.g. retirement), the Board has the ability to treat the Executive KMP as a 'Good Leaver', which may result in the Executive KMP retaining some or all of the unvested deferred STI or LTI grants.

As outlined in section 3.4, 'Good Leaver' provisions will also apply under the CEO Incentive Award but not under the Retention Equity award.</td></tr>
<tr><td>Termination by the Group without cause</td><td colspan="2">If the Group terminates an Executive KMP without cause, they are entitled to a combined maximum notice and severance payment of 12 months' fixed remuneration. The Board may (in its absolute discretion) also approve a pro-rata STI payment.

Depending on the circumstances, the Board has the ability to treat the Executive as a 'Good Leaver', which may result in the Executive retaining some or all of the unvested incentive awards (except in the case of the Retention Equity Award as outlined above).</td></tr>
<tr><td>Termination by the Group with cause</td><td colspan="2">No notice or severance is payable.</td></tr>
<tr><td>Other contractual provisions and restrictions</td><td colspan="2">All Executive KMP service agreements include standard clauses covering intellectual property, confidentiality, moral rights and disclosure obligations.</td></tr>
</table>

7. Non-Executive Directors' (NED) remuneration

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

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

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

The total fees paid to NEDs for the year ended 30 June 2021 remained within the aggregate fee pool of $2,500,000 per annum, which was approved by Security holders at the AGM in October 2017.

7.1 Fee structure

In FY20, NEDs' fees were temporarily reduced by 15% for the period 1 April 2020 to 30 June 2020. This action was taken to assist in absorbing the financial impact of COVID-19. Fees reverted to prior levels on 1 July 2020. No changes were made to the Chair, Non-Executive or Board committee policy fees in FY21.

The Board fee structure (inclusive of statutory superannuation contributions) for FY20 and FY21 is provided below, noting that the temporary reduction in NEDs' fees by 15% for the period 1 April 2020 to 30 June 2020 is not reflected.

	Year	Chair ($)	Member ($)
NED base fees (DXFM)[1]	FY21	450,000	175,000
	FY20	450,000	175,000
Board Risk Committee	FY21	35,000	17,500
	FY20	35,000	17,500
Board Audit Committee	FY21	35,000	17,500
	FY20	35,000	17,500
Board Nomination Committee[2]	FY21	N/A	N/A
	FY20	N/A	N/A
Board People & Remuneration Committee	FY21	35,000	17,500
	FY20	35,000	17,500
Board Environmental, Social & Governance Committee	FY21	35,000	17,500
	FY20	35,000	17,500
DWPL Board	FY21	N/A	35,000
	FY20	N/A	35,000

1 The Board Chair receives a single fee for service, including service on Board Committees.
2 No fees applied to the Board Nomination Committee in FY21.

In FY22, the Board made the decision to increase Board and Committee fees by approximately 2% and the Chair fee by approximately 5%, which reflects the Board's desire to make incremental changes to NED fees in line with general market movements. NED fees were last increased two years ago.

7.2 Security holding requirement

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

The plan allows NEDs to sacrifice a percentage of their pre-tax base fees in return for a grant of Rights to the equivalent value. The minimum percentage a NED can sacrifice is 20% of base fees, up to a maximum of 100%. The number of Rights allocated is calculated based on the VWAP of Securities over the first five trading days of the Trading Window immediately following the release of full-year results. Rights vest in two equal tranches over the subsequent 6-month and 12-month period.

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

7.3 Security movements

NED KMP	Number of Securities held at 1 July 2020	Movement	Number of Securities held at 30 June 2021	Meets minimum requirement
W Richard Sheppard	88,019	11,981	100,000	Yes
Patrick Allaway	20,000	Nil	20,000	Yes
Penny Bingham-Hall	32,773	Nil	32,773	Yes
John C Conde AO[1]	17,906	Nil	17,906	Yes
Tonianne Dwyer	16,667	5,833	22,500	Yes
Mark H Ford[2]	10,000	Nil	10,000	N/A
Warwick M Negus[3]	0	Nil	0	N/A
The Hon. Nicola Roxon	6,369	14,928	21,297	Yes
Peter St George[1]	18,573	Nil	18,573	Yes

1 John Conde and Peter St George retired during FY21.
2 Mark H Ford was appointed in FY17 and has until the end of FY22 to reach the requirement.
3 Warwick M Negus was appointed in FY21 and has additional time to reach the requirement.

7.4 Actual remuneration

This summary of the actual cash and benefits received by each NED for the year ended 30 June 2021 is prepared in accordance with AASB 124 Related Party Disclosures.

NED KMP	Year	Short term benefits[1, 2] ($)	Post-employment benefits (superannuation) ($)	Other long-term benefits	Total ($)
W Richard Sheppard	FY21	428,306	21,694	–	450,000
	FY20	412,910	21,003	–	433,913
Patrick Allaway[3]	FY21	188,994	17,954	–	206,948
	FY20	60,597	6,326	–	66,923
Penny Bingham-Hall[4]	FY21	227,500	0	–	227,500
	FY20	214,115	9,977	–	224,092
John C Conde AO[5]	FY21	35,821	3,403	–	39,224
	FY20	202,911	19,846	–	222,757
Tonianne Dwyer	FY21	242,985	21,694	–	264,679
	FY20	237,219	21,003	–	258,222
Mark H Ford	FY21	235,299	21,368	–	256,667
	FY20	200,744	19,484	–	220,228
Warwick M Negus[6]	FY21	66,591	6,326	–	72,917
	FY20	–	–	–	–
The Hon. Nicola Roxon[7]	FY21	227,500	0	–	227,500
	FY20	206,297	13,158	–	219,455
Peter St George	FY21	191,781	18,219	–	210,000
	FY20	201,769	19,737	–	221,506
Total	FY21	1,844,776	110,658	–	1,955,435
	FY20	1,736,562	130,534	–	1,867,096

1 Includes Director fees and insurance contributions.
2 FY20 fees were reduced by 15% between 1 April 2021 and 30 June 2020 due to COVID-19.
3 Patrick Allaway joined the Board on 1 February 2020.
4 Penny Bingham-Hall received a superannuation guarantee exemption in FY20 (part-year) and FY21.
5 John Conde retired from the Board on 2 September 2020. The figures in the above table represent earnings for the portion of the year that John Conde was a director of the Board.
6 Warwick M Negus joined the Board on 1 February 2021.
7 Nicola Roxon's FY20 & FY21 short term benefits include a salary sacrifice amount under the NED fee sacrifice program and a superannuation guarantee exemption for FY20 (part-year) and FY21.

8. Additional disclosures

8.1 Deferred STI and LTI awards which vested during FY21

The summary below outlines the number of Rights which vested under the Deferred STI and LTI plans during FY21. The vesting date for all Rights was 1 July 2020. No Rights lapsed during FY21.

Executive KMP	Plan name	Grant date	Tranche	Number of Rights which vested	Market value at vesting ($)[1]
Darren Steinberg	Deferred STI	1/07/2018	2	25,893	250,060
		1/07/2019	1	19,591	189,199
	LTI	1/07/2016	2	98,466	950,930
		1/07/2017	1	98,426	950,543
Deborah C Coakley	Deferred STI	1/07/2018	2	8,496	82,050
		1/07/2019	1	7,347	70,953
	LTI	1/07/2016	2	17,231	166,407
		1/07/2017	1	17,686	170,802
Ross Du Vernet	Deferred STI	1/07/2018	2	10,836	104,648
		1/07/2019	1	9,183	88,684
	LTI	1/07/2016	2	19,693	190,184
		1/07/2017	1	21,531	207,934
Kevin L George	Deferred STI	1/07/2018	2	10,343	99,887
		1/07/2019	1	8,082	78,051
	LTI	1/07/2016	2	21,006	202,864
		1/07/2017	1	21,531	207,934
Alison C Harrop	Deferred STI	1/07/2018	2	9,974	96,323
		1/07/2019	1	7,812	75,444
	LTI	1/07/2016	2	18,052	174,336
		1/07/2017	1	19,224	185,655

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

8.2 Executive KMP unvested Rights outstanding

The table below shows the number of unvested Rights held by Executive KMP as at 30 June 2021 under the Deferred STI and LTI plans. The STI and LTI awards in respect of which the elements below are deferred elements were disclosed in prior year Remuneration Reports.

Executive KMP	Plan name	Grant date	Vesting date	Tranche	Number of unvested Rights outstanding
Darren Steinberg	Deferred STI	1/07/2019	1/07/2021	2	18,551
		1/07/2020	1/07/2021	1	14,770
		1/07/2020	1/07/2022	2	14,770
	LTI	1/07/2017	1/07/2021	2	98,426
		1/07/2018	1/07/2021	1	121,487
		1/07/2018	1/07/2022	2	121,487
		1/07/2019	1/07/2022	1	89,047
		1/07/2019	1/07/2023	2	89,047
		1/07/2020	1/07/2023	1	124,381
		1/07/2020	1/07/2024	2	124,380
	Retention Award	1/06/2021	1/07/2024	1	356,335
Deborah C Coakley	Deferred STI	1/07/2019	1/07/2021	2	6,956
		1/07/2020	1/07/2021	1	6,231
		1/07/2020	1/07/2022	2	6,231
	LTI	1/07/2017	1/07/2021	2	17,686
		1/07/2018	1/07/2021	1	22,779
		1/07/2018	1/07/2022	2	22,778
		1/07/2019	1/07/2022	1	18,783
		1/07/2019	1/07/2023	2	18,783
		1/07/2020	1/07/2023	1	28,180
		1/07/2020	1/07/2024	2	28,179
	Retention Award	14/12/2020	14/12/2023	1	76,740
		14/12/2020	14/12/2024	2	76,740
Ross Du Vernet	Deferred STI	1/07/2019	1/07/2021	2	8,696
		1/07/2020	1/07/2021	1	6,924
		1/07/2020	1/07/2022	2	6,923
	LTI	1/07/2017	1/07/2021	2	21,530
		1/07/2018	1/07/2021	1	28,474
		1/07/2018	1/07/2022	2	28,473
		1/07/2019	1/07/2022	1	20,870
		1/07/2019	1/07/2023	2	20,870
		1/07/2020	1/07/2023	1	29,152
		1/07/2020	1/07/2024	2	29,151
	Retention Award	14/12/2020	14/12/2023	1	76,740
		14/12/2020	14/12/2024	2	76,740
Kevin L George	Deferred STI	1/07/2019	1/07/2021	2	7,652
		1/07/2020	1/07/2021	1	6,647
		1/07/2020	1/07/2022	2	6,646
	LTI	1/07/2017	1/07/2021	2	21,530
		1/07/2018	1/07/2021	1	28,474
		1/07/2018	1/07/2022	2	28,473
		1/07/2019	1/07/2022	1	20,870
		1/07/2019	1/07/2023	2	20,870
		1/07/2020	1/07/2023	1	29,152
		1/07/2020	1/07/2024	2	29,151
Alison C Harrop	Deferred STI	1/07/2019	1/07/2021	2	7,397
		1/07/2020	1/07/2021	1	6,647
		1/07/2020	1/07/2022	2	6,646
	LTI	1/07/2017	1/07/2021	2	19,224
		1/07/2018	1/07/2021	1	27,524
		1/07/2018	1/07/2022	2	27,524
		1/07/2019	1/07/2022	1	20,870
		1/07/2019	1/07/2023	2	20,870
		1/07/2020	1/07/2023	1	29,152
		1/07/2020	1/07/2024	2	29,151

8.3 Equity investments

	Held at 1 July 2020			Net change			Held at 30 June 2021				
	Securities	Deferred Rights	Total balance[1]	Securities	Deferred Rights	Total balance[1]	Securities	Deferred Rights	Total balance[1]	Market value as at 30 June 2021[2] $	Minimum security holding[3] $
Darren J Steinberg	748,622	60,388	809,010	242,376	-12,297	230,079	990,998	48,091	1,039,089	11,258,140	2,400,000
Deborah C Coakley	51,388	21,553	72,941	36,915	151,345	188,260	88,303	172,898	261,201	2,830,015	450,000
Ross G Du Vernet	83,601	27,136	110,737	18,243	148,887	167,130	101,844	176,023	277,867	3,010,585	562,500
Kevin L George	85,612	24,606	110,218[4]	33,354	-3,661	29,693	118,966	20,945	139,911	1,515,883	562,500
Alison C Harrop	53,445	23,763	77,208	35,062	-3,073	31,989	88,507	20,690	109,197	1,183,109	543,750

1 The following Securities are included in the balance for the purpose of the guideline (1) Any Dexus Securities that the Executive or their related person or entity hold (e.g. Family Trust), (2) Securities that the Executive acquires on vesting of awards granted under Dexus's equity incentive plans; and (3) Unvested equity granted that the Executive holds under Dexus's equity incentive plans which are not subject to performance hurdles (e.g. deferred short-term incentives and Retention Equity Award for CIO and EGM, Funds Management).

2 Market value as at 30 June 2021 is the VWAP of Dexus Securities for the five-day period up to and including 30 June 2021 $10.8346.

3 A minimum Security holding guideline was introduced on 1 July 2018, with all Executive KMP expected to attain the minimum Security holding by 1 July 2023. The Security holding value is calculated by reference to the 12-month average fixed remuneration for FY18 per the policy.

4 Kevin George's opening balance includes the sale of 40,000 shares that occurred in FY20 that were reported in the closing balance of the 2020 remuneration report.

8.4 Other transactions

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

8.5 Loans

No loans were provided to KMP or related parties.

Financial Report

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Directors' Report

The Directors of Dexus Funds Management Limited (DXFM) as Responsible Entity of Dexus Diversified Trust (DDF or the Trust) present their Directors' Report together with the Consolidated Financial Statements for the year ended 30 June 2021. The Consolidated Financial Statements represents DDF and its consolidated entities, Dexus (DXS or the Group).

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

Directors and Secretaries

Directors

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

Directors	Appointed
W Richard Sheppard, BEc (Hons), FAICD	1 January 2012
Patrick N J Allaway, BA/LLB	1 February 2020
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF Fin	10 June 2014
John C Conde, AO BSc, BE (Hons), MBA, FAICD[1]	29 April 2009
Tonianne Dwyer, BJuris (Hons), LLB (Hons)	24 August 2011
Mark H Ford, Dip. Tech (Commerce), CA, FAICD	1 November 2016
Warwick Negus, BBus (UTS), MCom (UNSW), SF Fin[2]	1 February 2021
The Hon. Nicola L Roxon, BA/LLB (Hons), GAICD	1 September 2017
Darren J Steinberg, BEc, FRICS, FAPI, FAICD	1 March 2012
Peter B St George, CA (SA), MBA[3]	29 April 2009

1 John C Conde retired from the Board of DXFM, effective 2 September 2020.
2 Warwick Negus was appointed to the Board of DXFM, effective 1 February 2021.
3 Peter B St George retired from the Board of DXFM, effective 30 June 2021.

Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2021 are as follows:

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

Appointed: 31 October 2014

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

Prior to joining Dexus, Brett was Head of Legal for Macquarie Real Estate (Asia) and has held senior legal positions at Macquarie Capital Funds in Hong Kong and Minter Ellison in Sydney and Hong Kong. Brett has 24 years' experience as in-house counsel and in private practice in Australia and in Asia, where he worked on real estate structuring and operations, funds management, mergers and acquisitions, private equity and corporate finance across a number of industries.

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

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

Appointed: 5 February 2019

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

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

Attendance of Directors at Board Meetings and Board Committee Meetings

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below. The Directors met 12 times during the year, of which one was a special meeting.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
W Richard Sheppard	11	11	1	1
Patrick N J Allaway	11	10	1	1
Penny Bingham-Hall	11	11	1	1
John C Conde, AO[1]	2	2	–	–
Tonianne Dwyer	11	11	1	1
Mark H Ford	11	11	1	1
Warwick Negus[2]	5	5	1	1
The Hon. Nicola L Roxon	11	11	Recused[3]	Recused[3]
Darren J Steinberg	11	11	1	1
Peter B St George[4]	11	11	1	1

1 John C Conde retired from the Board of DXFM, effective 2 September 2020.
2 Warwick Negus was appointed to the Board of DXFM, effective 1 February 2021.
3 Recused from special meeting due to potential conflict.
4 Peter B St George retired from the Board of DXFM, effective 30 June 2021.

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

The table below shows Non-Executive Directors' attendances[1] at Board Committee meetings of which they were a member during the year ended 30 June 2021.

	Board Audit Committee		Board Risk Committee		Board Nomination Committee		Board People and Remuneration Committee		Board Environmental, Social and Governance Committee		Joint "Organisational Risk" Session	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
W Richard Sheppard	–	–	–	–	3	3	8	8	–	–	2	2
Patrick N J Allaway[2]	4	4	4	3	3	3	–	–	–	–	2	1
Penny Bingham-Hall	–	–	–	–	3	3	8	8	4	4	2	2
John C Conde, AO[3]	1	1	–	–	–	–	–	–	–	–	–	–
Tonianne Dwyer	5	5	4	4	3	3	–	–	–	–	2	2
Mark H Ford	5	5	–	–	3	3	–	–	4	4	–	–
Warwick Negus[4]	–	–	–	–	2	2	–	–	–	–	–	–
The Hon. Nicola L Roxon	–	–	–	–	3	3	8	8	4	4	2	2
Peter B St George[5]	5	5	4	4	3	2	–	–	–	–	2	2

1 All Non-Executive Directors have a standing invitation to attend any or all Board Committee meetings.
2 Patrick N J Allaway replaced John C Conde as member, effective 2 September 2020.
3 John C Conde retired from the Board of DXFM, effective 2 September 2020.
4 Warwick Negus was appointed to the Board of DXFM, effective 1 February 2021, and immediately became a member of the Board Nomination Committee.
5 Peter B St George retired from the Board of DXFM, effective 30 June 2021.

Directors' relevant interests

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

Directors	No. of securities
W Richard Sheppard	100,000
Patrick N J Allaway	20,000
Penny Bingham-Hall	32,773
John C Conde, AO[1]	–
Tonianne Dwyer	22,500
Mark H Ford	10,000
Warwick Negus[2]	–
The Hon. Nicola L Roxon[3]	21,297
Darren J Steinberg[4]	990,998
Peter B St George[5]	30,573

1 John C Conde retired from the Board of DXFM, effective 2 September 2020.
2 Warwick Negus was appointed to the Board of DXFM, effective 1 February 2021.
3 Includes interests held directly and through Non-Executive Director (NED) Plan rights.
4 Includes interests held directly and through performance rights (refer note 23).
5 Peter B St George retired from the Board of DXFM, effective 30 June 2021.

Operating and financial review

Information on the operations and financial position of the Group and its business strategies and prospects is set out on pages 28 to 41 of the Annual Report and forms part of this Directors' Report.

Remuneration Report

The Remuneration Report is set out on pages 78 to 105 of the Annual Report and forms part of this Directors' Report.

Directors' directorships in other listed entities

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

Director	Company	Date Appointed
W Richard Sheppard	Star Entertainment Group	21 November 2012
Patrick N J Allaway	Bank of Queensland	1 May 2019
	Allianz Australia	1 July 2020
	Adobe International Advisory Board	24 March 2021
Penny Bingham-Hall	BlueScope Steel Limited	29 March 2011
	Fortescue Metals Group Ltd	16 November 2016
John C Conde, AO[1]	Whitehaven Coal Limited	3 May 2007
	Cooper Energy Limited	25 February 2013
Tonianne Dwyer	Metcash Limited[2]	24 June 2014
	ALS Limited	1 July 2016
	Oz Minerals Limited	21 March 2017
	Incitec Pivot Limited	20 May 2021
Mark H Ford	Kiwi Property Group Limited[3]	16 May 2011
Warwick Negus[4]	Pengana Capital Group Limited (Chairman)	1 June 2017
	Bank of Queensland	22 September 2016
	Washington H. Soul Pattison and Company Ltd	1 November 2014
The Hon. Nicola L Roxon	Lifestyle Communities Limited	1 September 2017
Peter B St George[5]	First Quantum Minerals Limited[6]	20 October 2003
Darren J Steinberg	VGI Partners Limited	12 May 2019

1 John C Conde retired from the Board of DXFM, effective 2 September 2020.
2 Tonianne Dwyer retired from the Board of Metcash, effective 28 June 2021.
3 Listed for trading on the New Zealand Stock Exchange.
4 Warwick Negus was appointed to the Board of DXFM, effective 1 February 2021.
5 Peter B St George retired from the Board of DXFM, effective 30 June 2021.
6 Listed for trading on the Toronto Stock Exchange in Canada.

Principal activities

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

Total value of Trust assets

The total value of the assets of the Group as at 30 June 2021 was $18,099.6 million (2020: $17,580.5 million). Details of the basis of this valuation are outlined in the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

Likely developments and expected results of operations

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

Significant changes in the state of affairs

During the financial year, the Group announced the following significant corporate transactions:

1. On 27 April 2021, Unitholders in both Dexus Wholesale Property Fund ("DWPF") and AMP Capital Diversified Property Fund ("ADPF") approved the merger of the two funds. In support of the merger Dexus agreed to contribute funding to facilitate liquidity for ADPF investors and protect DWPF from value dilution resulting from transaction costs. The impacts of the merger for Dexus include:

   - Dexus Wholesale Property Limited, a wholly owned subsidiary of Dexus, replacing AMP Capital Funds Management Limited as the Responsible Entity of ADPF on 28 April 2021;
   - A commitment to provide circa $400 million of liquidity to redeeming ADPF Unitholders; and
   - Funding circa $50 million of transaction costs for both ADPF and DWPF. As at 30 June 2021, Dexus has incurred approximately $15.5 million of transaction costs.

   The merger will be accretive to Dexus's Adjusted Funds from Operations (AFFO) and Net Asset Value (NAV) in FY22. In addition, the merger will provide the opportunity to generate further upside through the active management, leasing and development of ADPF assets.

2. On 23 March 2021, Dexus announced plans to simplify the corporate structure (the "Simplification") from a complex quadruple stapled trust structure to a group comprising two stapled trusts. Dexus Security holders voted in favour of the Simplification at an Extraordinary General Meeting on 22 April 2021. The Simplification was implemented on 6 July 2021 following the receipt of certain determinations in respect of stamp duty payable under the Simplification and the Responsible Entity considering that it is in the best interest of Security holders.

   The key advantages to the Simplification include an improved ability and flexibility for Dexus to execute on one of its key strategic initiatives to expand and diversify its funds management business, deliver reporting and administrative efficiencies for both Security holders and Dexus and may potentially result in broader eligibility for CGT rollover relief as a result of any merger and acquisition activity that Dexus subsequently engages in.

3. On 11 May 2021, Dexus announced that it had entered into a binding Scheme Implementation Deed ('SID') with APN Property Group ('APN') in relation to a proposal for Dexus to acquire all of the stapled securities in APN (the 'Proposal') for an all-cash consideration of 91.5 cents per security. This will be reduced by the value of any distribution declared from the date of the announcement and prior to 30 September 2021, up to 1.5 cents per security.

   On 27 July 2021, Dexus announced the Proposal was approved by APN security holders and implementation of the transaction occurred on 13 August 2021.

The takeover of APN is underpinned by a strong investment rationale for Dexus which includes:

- Access to a complementary and scalable business with a high-quality team and like-minded investment philosophy;
- Ability to utilise Dexus's market leading funds and property management platform to drive growth and performance for new and existing APN funds;
- Provides Dexus with a range of new growth opportunities via access to new investor groups and products;
- Adds $2.9 billion of incremental FUM which will be immediately accretive to Adjusted Funds From Operations (AFFO) per security on completion of the transaction in FY22; and
- Potential to realise cost and revenue synergies and achieve margin expansion across the platform.

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

Matters subsequent to the end of the financial year

On 6 July 2021, Dexus implemented the Simplification from a quadruple stapled trust structure (comprised of DDF, DIT, DOT and DXO) to a dual stapled trust structure. This was achieved by "top-hatting" three of the existing trusts (DDF, DIT and DOT) with a newly established trust, Dexus Property Trust (DPT). Effective from this date, the Simplified Group now comprises a unit in each of DXO and DPT, with DXFM appointed as the Responsible Entity of DPT.

On 8 July 2021, Mercatus Dexus Australia Partnership (MDAP), a joint venture with Mercatus Co-operative Limited (Mercatus) settled on the acquisition of a 33.33% interest in 1 Bligh Street, Sydney for $375.0 million excluding acquisition costs.

On 20 July 2021, Dexus entered into binding terms which provide a framework to fund, develop and invest in Atlassian's new headquarters at 8-10 Lee Street, Sydney. As part of the arrangements Dexus will act as development manager and take responsibility for delivering the project, fund 100% of the project costs during construction, and retain a long-term equity interest in the asset with Atlassian. The total project costs are expected to be $1.4 billion.

On 22 July 2021, Dexus acquired a 49% interest in a holding unit trust that owns Capital Square Tower 1 at 98 Mounts Bay Road in Perth, for a total consideration of $339.0 million. A portion of Dexus's contribution will be utilised by the holding trust as a new receivable loan to the co-owner, to be repaid in four years. Dexus's share in the loan receivable is approximately $77.0 million.

On 27 July 2021, APN Property Group security holders approved the Scheme of Arrangement for Dexus to acquire all of the stapled securities in APN for an all cash-consideration of 90 cents per security. On 13 August 2021, the Scheme was implemented. Effective from this date, APN is now a wholly owned subsidiary of Dexus.

On 3 August 2021, settlement occurred for the disposal of 60 Miller Street, North Sydney for $273.0 million excluding transaction costs.

On 9 August 2021, settlement occurred for the disposal of 436-484 Victoria Road, Gladesville for $55.0 million excluding transaction costs.

On 13 August 2021, Dexus entered into a put and call option arrangement to sell 22 Business Park Drive, Ravenhall for $13.5 million excluding transaction costs.

On 15 August 2021, Dexus entered into a put and call option arrangement to acquire 1-21 McPhee Drive, Berrinba and 116-130 Gilmore Road, Berrinba for $117.0 million excluding acquisition costs.

On 15 August 2021, Dexus exchanged contracts to acquire 2 Maker Place, Truganina for $69.0 million excluding acquisition costs.

On 16 August 2021, Dexus entered into a put and call option arrangement to acquire 113-153 Aldington Road, Kemps Creek for $125.5 million excluding acquisition costs.

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of economic recovery. In accordance with AASB 110 *Events after the Reporting Date*, the Group considered whether events after the reporting period confirmed conditions that existed before the reporting date, e.g. bankruptcy of customers. Consideration was given to the macro-economic impact of any lockdowns or border closures since 30 June 2021, and the Group concluded that the amounts recognised in the Consolidated Financial Statements and the disclosures therein are appropriate. The economic environment is subject to rapid change and updated facts and circumstances continue to be closely monitored by the Group.

Since the end of the year other than the matters disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or the Consolidated Financial Statements that has significantly or may significantly affect the operation of the Group, the results of those operations, or state of the Group's affairs in future financial periods.

Distributions

Distributions paid or payable by the Group for the year ended 30 June 2021 were 51.8 cents per security (2020: 50.3 cents per security) as outlined in note 7 of the Notes to the Consolidated Financial Statements.

DXFM fees

Details of fees paid or payable by the Group to DXFM are eliminated on consolidation for the year ended 30 June 2021. Details are outlined in note 24 of the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

Interests in DXS securities

The movement in securities on issue in the Group during the year and the number of securities on issue as at 30 June 2021 are detailed in note 17 of the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

The number of interests in the Group held by DXFM or its associates as at the end of the financial year is nil (2020: nil).

The DXFM Board has approved a grant of performance rights of DXS stapled securities to eligible participants. Details of the performance rights awarded during the financial year are outlined in note 23 of the Notes the Consolidated Financial Statements. The Group did not have any options on issue as at 30 June 2021 (2020: nil).

Environmental regulation

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

Indemnification and insurance

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

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

Audit

Auditor

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

Non-audit services

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

Details of the amounts paid or payable to the Auditor for audit and non-audit services provided during the year are set out in note 21 of the Notes to the Consolidated Financial Statements.

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

The reasons for the Directors being satisfied are:

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

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 113 and forms part of this Directors' Report.

Corporate governance

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

Rounding of amounts and currency

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

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Consolidated Financial Statements were authorised for issue by the Directors on 16 August 2021.

W Richard Sheppard
Chair
16 August 2021

Darren J Steinberg
Chief Executive Officer
16 August 2021

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Dexus Diversified Trust (the Trust) for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of the Trust and its controlled entities, Dexus Industrial Trust and its controlled entities, Dexus Office Trust and its controlled entities, and Dexus Operations Trust and its controlled entities, during the period.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
16 August 2021

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	2021 $m	2020 Restated[1] $m
Revenue from ordinary activities			
Property revenue	2	523.8	533.5
Development revenue	10	316.6	275.8
Interest revenue		1.3	0.5
Management fees and other revenue		174.2	182.1
Total revenue from ordinary activities		1,015.9	991.9
Net fair value gain of investment properties		273.7	386.5
Share of net profit of investments accounted for using the equity method	9	565.6	494.7
Net gain on sale of investment properties		0.3	–
Net fair value gain of foreign currency interest bearing liabilities		115.2	–
Net fair value gain of derivatives	13(c)	–	3.0
Net foreign exchange gain		–	0.1
Reversal of impairment on inventories		4.7	–
Other income		1.7	2.0
Total income		1,977.1	1,878.2
Expenses			
Property expenses	2	(165.1)	(163.3)
Development costs	10	(244.6)	(225.3)
Finance costs	4	(131.7)	(139.7)
Impairment of investments accounted for using the equity method	9	–	(12.2)
Impairment of intangibles	20	–	(5.6)
Net loss on sale of investment properties		–	(0.4)
Net fair value loss of financial assets at fair value through profit or loss	12	–	(2.7)
Net fair value loss of foreign currency interest bearing liabilities		–	(168.3)
Net fair value loss of derivatives	13(c)	(102.4)	–
Net foreign exchange loss		(0.1)	–
Transaction costs		(10.3)	(1.1)
Management operations, corporate and administration expenses	3	(143.2)	(150.4)
Total expenses		(797.4)	(869.0)
Profit/(loss) before tax		1,179.7	1,009.2
Income tax expense	5(a)	(41.3)	(36.5)
Profit/(loss) for the year		1,138.4	972.7
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	18	(14.5)	6.2
Changes in the foreign currency basis spread reserve	18	(1.5)	(4.2)
Total comprehensive income/(loss) for the year		1,122.4	974.7
Profit/(loss) for the year attributable to:			
Unitholders of the parent entity		525.0	284.6
Unitholders of other stapled entities (non-controlling interests)		613.4	688.1
Profit/(loss) for the year		1,138.4	972.7
Total comprehensive income/(loss) for the year attributable to:			
Unitholders of the parent entity		509.0	286.6
Unitholders of other stapled entities (non-controlling interests)		613.4	688.1
Total comprehensive income/(loss) for the year		1,122.4	974.7
		Cents	Cents
Earnings per unit on profit/(loss) attributable to unitholders of the Trust (parent entity)			
Basic earnings per unit	6	48.41	25.99
Diluted earnings per unit	6	47.18	25.33
Earnings per stapled security on profit/(loss) attributable to stapled security holders			
Basic earnings per security	6	104.97	88.82
Diluted earnings per security	6	104.73	87.72

1. Restatement to 2020 required to comply with recently issued guidance from the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 26 for further details.

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

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	2021 $m	2020 Restated[1] $m
Current assets			
Cash and cash equivalents	19(a)	43.5	31.8
Receivables	19(b)	121.0	132.2
Non-current assets classified as held for sale	11	272.8	530.0
Inventories	10	137.2	179.5
Derivative financial instruments	13(c)	13.8	91.9
Current tax receivable		21.2	2.6
Other	19(c)	28.3	28.3
Total current assets		637.8	996.3
Non-current assets			
Investment properties	8	8,476.8	8,215.9
Plant and equipment		10.1	12.8
Right-of-use assets		13.6	13.4
Inventories	10	41.0	156.3
Investments accounted for using the equity method	9	8,070.4	7,287.4
Derivative financial instruments	13(c)	333.3	604.3
Intangible assets	20	305.4	291.8
Financial assets at fair value through profit or loss	12	180.5	0.4
Loans to related parties	24	30.7	–
Other		–	1.9
Total non-current assets		17,461.8	16,584.2
Total assets		18,099.6	17,580.5
Current liabilities			
Payables	19(d)	173.8	179.8
Interest bearing liabilities	15	50.0	364.3
Lease liabilities	14	3.5	4.8
Derivative financial instruments	13(c)	7.2	13.4
Provisions	19(e)	291.2	279.8
Other		7.8	3.0
Total current liabilities		533.5	845.1
Non-current liabilities			
Interest bearing liabilities	15	4,874.7	4,473.7
Lease liabilities	14	20.5	19.5
Derivative financial instruments	13(c)	42.9	54.8
Deferred tax liabilities	5(e)	92.9	92.5
Provisions	19(e)	2.7	2.5
Other		23.4	11.2
Total non-current liabilities		5,057.1	4,654.2
Total liabilities		5,590.6	5,499.3
Net assets		12,509.0	12,081.2
Equity			
Equity attributable to unitholders of the Trust (parent entity)			
Contributed equity	17	2,341.4	2,381.4
Reserves	18	(0.8)	15.2
Retained profits		1,463.9	1,051.9
Parent entity unitholders' interest		3,804.5	3,448.5
Equity attributable to unitholders of other stapled entities			
Contributed equity	17	4,813.7	4,909.5
Reserves	18	37.4	35.4
Retained profits		3,853.4	3,687.8
Other stapled unitholders' interest		8,704.5	8,632.7
Total equity		12,509.0	12,081.2

1. Restatement to 2020 required to comply with recently issued guidance from the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 26 for further details.

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

		Attributable to unitholders of the Trust (parent entity)				Attributable to unitholders of other stapled entities				
	Note	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Total equity $m
Opening balance as at 1 July 2019		2,399.0	13.2	923.4	3,335.6	4,954.5	40.5	3,412.7	8,407.7	11,743.3
Change in accounting policy	26	–	–	–	–	–	–	(18.8)	(18.8)	(18.8)
Restated opening balance as at 1 July 2019		2,399.0	13.2	923.4	3,335.6	4,954.5	40.5	3,393.9	8,388.9	11,724.5
Net profit/(loss) for the year		–	–	284.6	284.6	–	–	688.2	688.2	972.8
Other comprehensive income/(loss) for the year		–	2.0	–	2.0	–	–	–	–	2.0
Total comprehensive income for the year		–	2.0	284.6	286.6	–	–	688.2	688.2	974.8
Transactions with owners in their capacity as owners										
Buy-back of contributed equity, net of transaction cost	17	(17.6)	–	–	(17.6)	(45.0)	–	–	(45.0)	(62.6)
Purchase of securities, net of transaction costs		–	–	–	–	–	(10.9)	–	(10.9)	(10.9)
Security-based payments expense		–	–	–	–	–	5.8	–	5.8	5.8
Distributions paid or provided for	7	–	–	(156.1)	(156.1)	–	–	(394.2)	(394.2)	(550.3)
Total transactions with owners in their capacity as owners		(17.6)	–	(156.1)	(173.7)	(45.0)	(5.1)	(394.2)	(444.3)	(618.0)
Closing balance as per 30 June 2020		2,381.4	15.2	1,051.9	3,448.5	4,909.5	35.4	3,687.8	8,632.7	12,081.2
Opening balance as at 1 July 2020		2,381.4	15.2	1,051.9	3,448.5	4,909.5	35.4	3,716.9	8,661.8	12,110.3
Change in accounting policy	26	–	–	–	–	–	–	(29.1)	(29.1)	(29.1)
Restated opening balance as at 1 July 2020		2,381.4	15.2	1,051.9	3,448.5	4,909.5	35.4	3,687.8	8,632.7	12,081.2
Net profit/(loss) for the year		–	–	525.0	525.0	–	–	613.4	613.4	1,138.4
Other comprehensive income/(loss) for the year		–	(16.0)	–	(16.0)	–	–	–	–	(16.0)
Total comprehensive income for the year		–	(16.0)	525.0	509.0	–	–	613.4	613.4	1,122.4
Transactions with owners in their capacity as owners										
Buy-back of contributed equity, net of transaction costs	17	(40.0)	–	–	(40.0)	(95.8)	–	–	(95.8)	(135.8)
Purchase of securities, net of transaction costs		–	–	–	–	–	(7.3)	–	(7.3)	(7.3)
Security-based payments expense		–	–	–	–	–	9.3	–	9.3	9.3
Distributions paid or provided for	7	–	–	(113.0)	(113.0)	–	–	(447.9)	(447.9)	(561.0)
Total transactions with owners in their capacity as owners		(40.0)	–	(113.0)	(153.0)	(95.8)	2.0	(447.9)	(541.7)	(694.8)
Closing balance as at 30 June 2021		2,341.4	(0.8)	1,463.9	3,804.5	4,813.7	37.4	3,853.4	8,704.5	12,509.0

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 $m	2020 Restated[1] $m
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		762.1	725.2
Payments in the course of operations (inclusive of GST)		(315.6)	(277.1)
Interest received		1.3	0.5
Finance costs paid		(147.4)	(145.9)
Distributions received from investments accounted for using the equity method		478.1	312.2
Income tax paid		(59.6)	(49.1)
Proceeds from sale of property classified as inventory and development services		367.1	235.4
Payments for property classified as inventory and development services		(86.7)	(87.1)
Net cash inflow/(outflow) from operating activities	22	999.3	714.1
Cash flows from investing activities			
Proceeds from sale of investment properties		534.9	224.4
Proceeds from sale of investments accounted for using the equity method		–	215.5
Payments for capital expenditure on investment properties		(110.7)	(240.7)
Payments for termination and restructure of derivatives		–	(124.3)
Payments for investments accounted for using the equity method		(727.8)	(496.8)
Payments for financial assets at fair value through profit or loss		(180.5)	–
Payments for acquisition of investment properties		(197.5)	(176.2)
Payments for plant and equipment		(0.7)	(1.8)
Payments for intangibles		(15.7)	(4.1)
Net cash inflow/(outflow) from investing activities		(698.0)	(604.0)
Cash flows from financing activities			
Proceeds from borrowings		8,405.0	5,244.8
Repayment of borrowings		(7,983.3)	(4,686.1)
Payment for termination and restructure of derivatives		–	(42.5)
Payment of lease liabilities		(0.3)	(2.5)
Payments for buy-back of contributed equity, net of transaction costs		(135.8)	(62.6)
Purchase of securities for security-based payments plans		(7.3)	(10.9)
Distributions paid to security holders		(567.9)	(548.3)
Net cash inflow/(outflow) from financing activities		(289.6)	(108.1)
Net increase/(decrease) in cash and cash equivalents		11.7	2.0
Cash and cash equivalents at the beginning of the year		31.8	29.8
Cash and cash equivalents at the end of the year		43.5	31.8

1. Restatement to 2020 required to comply with recently issued guidance from the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 26 for further details.

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

Notes to the Consolidated Financial Statements

In this section

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

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

Basis of preparation

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

Unless otherwise stated the Consolidated Financial Statements have been prepared using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period. Where required, comparative information has been restated for consistency with the current year's presentation.

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

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

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

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

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

Change in Accounting Policies

On 27 April 2021, the International Financial Reporting Interpretations Committee (IFRIC) issued an addendum regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". The focus of the addendum was to clarify how a customer should account for the cost of configuring or customising a supplier's software when it is a "Software as a Service" (SaaS) product. In response to this clarification, the Group has retrospectively changed its accounting policy for the amount of any SaaS arrangements previously recorded as intangible assets. Refer to note 20 *Intangible assets* and note 26 *Change in accounting policy* for impacts on the Consolidated Financial Statements.

Critical accounting estimates

The preparation of the Consolidated Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group's accounting policies.

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

The COVID-19 pandemic continued to create unprecedented challenges through unanticipated Government imposed lockdowns that varied in their level of impact across Australian cities. Despite the disruption, Australia's economic activity in the year ended 30 June 2021 has been resilient supported by Government stimulus and historically low interest rates, with growing employment numbers, increasing house prices and strong business and consumer confidence.

During the year, Dexus leased 184,029 square metres of office space, in addition to 11,068 square metres of space across office developments which highlights the demand for quality workspace in well located CBD assets. Dexus office portfolio occupancy reduced to 95.2% (FY20: 96.5%).

Across the Dexus industrial portfolio, economic tailwinds from Government stimulus are feeding demand from ecommerce, retail, essential services, pharmaceuticals and infrastructure tenants, with these sectors requiring more space to accommodate growth. Dexus industrial portfolio occupancy increased to 97.7% (FY20: 95.6%).

Retail tenants located at the base of Dexus's office buildings continue to be impacted with lower foot traffic and sales as a result of government imposed lockdowns, and Dexus continues to work with small business tenants impacted by lockdowns on rent relief measures.

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates in relation to COVID-19 related uncertainties. The judgements and estimates which are material to the Financial Report are discussed in the following notes.

Note 2	Property revenue and expenses	Page 127
Note 8	Investment properties	Page 132
Note 10	Inventories	Page 142
Note 12	Financial assets at fair value through profit or loss	Page 143
Note 13	Capital and financial risk management	Page 144
Note 19	Working capital	Page 160
Note 20	Intangible assets	Page 163
Note 23	Security-based payments	Page 166

Principles of consolidation

These Consolidated Financial Statements incorporate the assets, liabilities and results of all subsidiaries as at 30 June 2021.

a. Controlled entities

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

b. Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations

Where assets are held directly as tenants in common, the Group's proportionate share of revenues, expenses, assets and liabilities are included in their respective items of the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under this method, the Group's share of the joint ventures' post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income and distributions received from joint ventures are recognised as a reduction of the carrying amount of the investment.

c. Employee share trust

The Group has formed a trust to administer the Group's security-based employee benefits. The employee share trust is consolidated as the substance of the relationship is that the trust is controlled by the Group.

Foreign currency

The Consolidated Financial Statements are presented in Australian dollars.

Foreign currency transactions are translated into the Australian dollars functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of financial assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

As at 30 June 2021, the Group had no investments in foreign operations.

Goods and services tax

Revenues, expenses and capital assets are recognised net of any amount of Australian Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities that is recoverable from or payable to the Australian Taxation Office is classified as cash flows from operating activities.

The notes include information which is required to understand the Consolidated Financial Statements and is material and relevant to the operations, financial position and performance of the Group.

The notes are organised into the following sections:

Group performance	Property portfolio assets	Capital and financial risk management and working capital	Other disclosures
1. Operating segments	8. Investment properties	13. Capital and financial risk management	20. Intangible assets
2. Property revenue and expenses	9. Investments accounted for using the equity method	14. Lease liabilities	21. Audit, taxation and transaction service fees
3. Management operations, corporate and administration expenses	10. Inventories	15. Interest bearing liabilities	22. Cash flow information
4. Finance costs	11. Non-current assets classified as held for sale	16. Commitments and contingencies	23. Security-based payments
5. Taxation	12. Financial assets at fair value through profit or loss	17. Contributed equity	24. Related parties
6. Earnings per unit		18. Reserves	25. Parent entity disclosures
7. Distributions paid and payable		19. Working capital	26. Change in accounting policy
			27. Subsequent events

Group performance

In this section

This section explains the results and performance of the Group.

It provides additional information about those individual line items in the Consolidated Financial Statements that the Directors consider most relevant in the context of the operations of the Group, including: results by operating segment, property revenue and expenses, management operations, corporate and administration expenses, finance costs, taxation, earnings per unit and distributions paid and payable.

Note 1 Operating segments

Description of segments

The Group's operating segments have been identified based on the sectors analysed within the management reports reviewed in order to monitor performance across the Group and to appropriately allocate resources. Refer to the table below for a brief description of the Group's operating segments.

Segment	Description
Office	Domestic office space with any associated retail space; as well as car parks and office developments.
Industrial	Domestic industrial properties, industrial estates and industrial developments.
Property management	Property management services for third party clients and owned assets.
Funds management	Funds management of third party client assets.
Development and trading	Revenue earned and costs incurred by the Group on development services for third party clients and inventory.
All other segments	Corporate expenses associated with maintaining and operating the Group. This segment also includes the centralised treasury function, direct property portfolio value of the Group's healthcare investments and minority equity interests in Australian unlisted entities and managed property funds.

Note 1 Operating segments (continued)

30 June 2021	Office $m	Industrial $m	Property management $m
Segment performance measures			
Property revenue	762.3	146.1	–
Property management fees	–	–	41.7
Development revenue	–	–	–
Management fee revenue	–	–	26.3
Total operating segment revenue	**762.3**	**146.1**	**68.0**
Property expenses & property management salaries	(248.0)	(37.2)	(26.2)
Management operations expenses	–	–	(30.3)
Corporate and administration expenses	(13.9)	(3.4)	–
Development costs	–	–	–
Interest revenue	–	–	–
Finance costs	–	–	–
Incentive amortisation and rent straight-line	139.0	15.4	–
FFO tax expense	–	–	–
Rental guarantees, coupon income and other	18.9	1.3	–
Funds From Operations (FFO)	**658.3**	**122.2**	**11.5**
Net fair value gain/(loss) of investment properties	189.5	376.8	–
Reversal of impairment of inventories	–	–	–
Net fair value gain/(loss) of derivatives	–	–	–
Transaction costs and other significant items	–	–	–
Net gain/(loss) on sale of investment properties	6.0	–	–
Net fair value gain/(loss) of interest bearing liabilities	–	–	–
Incentive amortisation and rent straight-line	(139.0)	(15.7)	–
Amortisation of intangible assets	–	–	–
Non FFO tax income/(expense)	–	–	–
Rental guarantees, coupon income and other	(18.9)	–	–
Net profit/(loss) attributable to stapled security holders	**695.9**	**483.3**	**11.5**
Investment properties	6,978.3	1,489.9	–
Non-current assets held for sale	967.0	–	–
Inventories	–	–	–
Equity accounted investment properties	5,950.0	1,235.5	–
Financial assets at fair value through profit or loss	–	–	–
Property portfolio	**13,895.3**	**2,725.4**	**–**

Funds management $m	Development and trading $m	All other segments $m	Eliminations $m	Total $m
–	–	–	(4.8)	903.6
–	–	–	–	41.7
–	316.6	–	–	316.6
73.2	16.1	–	–	115.6
73.2	**332.7**	**–**	**(4.8)**	**1,377.5**
–	–	–	–	(311.4)
(28.1)	(15.0)	–	–	(73.4)
–	–	(35.4)	4.8	(47.9)
–	(244.6)	–	–	(244.6)
–	–	1.8	–	1.8
–	–	(132.3)	–	(132.3)
–	–	–	–	154.4
–	(21.6)	(16.5)	–	(38.1)
–	–	10.8	–	31.0
45.1	**51.5**	**(171.6)**	**–**	**717.0**
–	–	17.1	–	583.4
–	4.7	–	–	4.7
–	–	(102.4)	–	(102.4)
–	–	(11.6)	–	(11.6)
–	–	–	–	6.0
–	–	115.2	–	115.2
–	–	–	–	(154.7)
–	–	(2.2)	–	(2.2)
–	–	(3.2)	–	(3.2)
–	–	5.1	–	(13.8)
45.1	**56.2**	**(158.6)**	**–**	**1,138.4**
–	–	8.6	–	8,476.8
–	–	–	–	967.0
–	178.2	–	–	178.2
–	–	289.1	–	7,474.6
–	–	180.5	–	180.5
–	**178.2**	**478.2**	**–**	**17,277.1**

Note 1 Operating segments (continued)

30 June 2020	Office $m	Industrial $m	Property management $m
Segment performance measures			
Property revenue	787.5	154.4	–
Property management fees	–	–	42.3
Development revenue	–	–	–
Management fee revenue	–	–	36.2
Total operating segment revenue	**787.5**	**154.4**	**78.5**
Property expenses & property management salaries	(242.1)	(41.0)	(26.6)
Management operations expenses	–	–	(30.8)
Corporate and administration expenses	(13.2)	(3.3)	–
Development costs	–	–	–
Interest revenue	–	–	–
Finance costs	–	–	–
Incentive amortisation and rent straight-line	113.4	14.1	–
FFO tax expense	–	–	–
Rental guarantees, coupon income and other	25.8	–	–
Funds From Operations (FFO)	**671.4**	**124.2**	**21.1**
Net fair value gain/(loss) of investment properties	490.6	111.4	–
Net fair value gain/(loss) of derivatives	–	–	–
Transaction costs and other significant items	–	–	–
Net gain/(loss) on sale of investment properties	0.1	–	–
Net fair value gain/(loss) of interest bearing liabilities	–	–	–
Incentive amortisation and rent straight-line	(113.4)	(14.1)	–
Amortisation of intangible assets	–	–	–
Non FFO tax income/(expense)	–	–	–
Rental guarantees, coupon income and other	(25.8)	–	–
Net profit/(loss) attributable to stapled security holders	**1,022.9**	**221.5**	**21.1**
Investment properties	6,978.6	1,228.1	–
Non-current assets held for sale	561.0	15.4	–
Inventories	–	–	–
Equity accounted investment properties	6,510.6	774.9	–
Property portfolio	**14,050.2**	**2,018.4**	**–**

1. Restatement to 2020 required to comply with recently issued guidance from the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 26 for further details.

Funds management $m	Development and trading $m	All other segments $m	Eliminations $m	Total Restated[1] $m
–	–	–	(5.0)	936.9
–	–	–	–	42.3
–	275.8	–	–	275.8
73.6	15.7	–	–	125.5
73.6	**291.5**	**–**	**(5.0)**	**1,380.5**
–	–	–	–	(309.7)
(26.6)	(12.3)	–	–	(69.7)
–	–	(33.0)	5.0	(44.5)
–	(225.3)	–	–	(225.3)
–	–	1.5	–	1.5
–	–	(128.9)	–	(128.9)
–	–	–	–	127.5
–	(15.2)	(22.4)	–	(37.6)
–	–	10.6	–	36.4
47.0	**38.7**	**(172.2)**	**–**	**730.2**
–	–	10.4	–	612.4
–	–	(2.5)	–	(2.5)
–	–	(19.4)	–	(19.4)
–	–	–	–	0.1
–	–	(168.3)	–	(168.3)
–	–	–	–	(127.5)
–	–	(28.2)	–	(28.2)
–	–	(3.3)	–	(3.3)
–	–	5.0	–	(20.8)
47.0	**38.7**	**(378.5)**	**–**	**972.7**
–	–	9.2	–	8,215.9
–	–	–	–	576.4
–	335.8	–	–	335.8
–	–	147.9	–	7,433.4
–	**335.8**	**157.1**	**–**	**16,561.5**

Note 1 Operating segments (continued)

Other segment information

Funds from Operations (FFO)

The Directors consider the Property Council of Australia's (PCA) definition of FFO to be a measure that reflects the underlying performance of the Group. FFO comprises net profit/loss after tax attributable to stapled security holders, calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments and reversal of impairments, derivative and foreign exchange mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, non-FFO tax expenses, certain transaction costs, one-off significant items (including write off of IFRIC SaaS customisation expenses), amortisation of intangible assets, movements in right-of-use assets and lease liabilities, rental guarantees and coupon income.

Reconciliation of segment revenue to the Consolidated Statement of Comprehensive Income

	2021 $m	2020 $m
Property lease revenue	793.9	825.9
Property services revenue	109.7	111.0
Property revenue	903.6	936.9
Property management fees	41.7	42.3
Development revenue	316.6	275.8
Management fee revenue	115.6	125.5
Total operating segment revenue	1,377.5	1,380.5
Share of property lease revenue from joint ventures	(341.4)	(347.7)
Share of property services revenue from joint ventures	(48.7)	(55.7)
Share of management fees charged to joint ventures	27.2	14.3
Interest revenue	1.3	0.5
Total revenue from ordinary activities	1,015.9	991.9

Reconciliation of segment assets to the Consolidated Statement of Financial Position

	2021 $m	2020 $m
Direct property portfolio[1]	17,096.6	16,561.5
Cash and cash equivalents	43.5	31.8
Receivables	121.0	132.2
Intangible assets	305.4	291.8
Financial assets at fair value through profit or loss	180.5	0.4
Derivative financial instruments	347.1	696.2
Plant and equipment	10.1	12.8
Right-of-use assets	13.6	13.4
Prepayments and other assets[2]	(18.2)	(159.6)
Total assets	18,099.6	17,580.5

1 Includes the Group's portion of investment properties accounted for using the equity method.
2 Other assets include the Group's share of total net assets of its investments accounted for using the equity method less the Group's share of the investment property value which is included in the direct property portfolio.

Note 2 Property revenue and expenses

The Group's main revenue stream is property rental revenue and is derived from holding properties as investment properties and earning rental yields over time. Rental revenue is recognised on a straight-line basis over the lease term for leases with fixed rent review clauses.

Prospective tenants may be offered incentives as an inducement to enter into operating leases. The costs of incentives are recognised as a reduction of rental revenue on a straight-line basis from the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

Within its lease arrangements, the Group provides certain services to tenants (such as utilities, cleaning, maintenance and certain parking arrangements) which are accounted for within AASB 15 *Revenue from Contracts with Customers*. A portion of the consideration within the lease arrangements is therefore allocated to revenue for the provision of services.

	2021 $m	2020 $m
Rent and recoverable outgoings	484.1	488.3
Services revenue	61.0	62.3
Incentive amortisation	(78.9)	(78.4)
Other revenue	57.6	61.3
Total property revenue	523.8	533.5

Impact of COVID-19 on Property revenue

The rent relief measures outlined in the Australian Government National Code of Conduct (Code of Conduct) concluded during the period as follows:

- NSW – extension until 31 December 2020 from the initial expiry date of 24 October 2020[1]
- VIC – extension until 28 March 2021 from the initial expiry date of 29 September 2020
- WA – extension until 28 March 2021 from the initial expiry date of 29 September 2020
- QLD – extension until 31 December 2020 from the initial expiry date of 30 September 2020

1 For retail tenants that had a turnover of less than $5.0 million in the 2018/2019 financial year, there was an extension to 28 March 2021.

Dexus continues to work with impacted tenants to finalise rent relief packages in accordance with the Code of Conduct.

The various rent relief measures have been accounted for as follows in line with ASIC guidance '20-157MR Focuses for financial reporting under COVID-19 conditions' published on 7 July 2020.

When a rent waiver agreement is made between the landlord and tenant:

- rent waived that relates to future occupancy is spread over the remaining lease term and recognised on a straight-line basis; and
- rent waived that relates to past occupancy is expensed immediately, except to the extent there exists a pre-existing provision for expected credit losses relating to unpaid rent.

Property revenue has been recognised for occupancy up to the date of a waiver agreement. Where there was no agreement at 30 June 2021, a provision for expected credit losses per AASB 9 *Financial Instruments* has been recognised against any receivable for unpaid rent for past occupancy.

The provision for expected credit losses is recognised with a corresponding expense in Property expenses. The provision covers the difference between contractual cash flows that are due and cash flows expected to be received. Accordingly, the provision includes both that part of the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant. Refer to note 19 *Working capital* for the amount of the provision for expected credit losses recognised at the reporting date.

In the circumstance where the tenant has fully paid rent for the period of occupancy up to balance date, there is no rent receivable against which to make a provision. Where it is expected that some of the rent already paid by the tenant will be waived, there is no basis to recognise a liability at balance date.

Rent deferrals, where in substance the deferral is a delay in the timing of payments, have no impact on property revenue recognition. A separate assessment of the recoverability of rent receivable is performed in accordance with the policy outlined in note 19 *Working capital*.

Note 2 Property revenue and expenses (continued)

Property expenses

Property expenses include rates, taxes, expected credit losses on receivables and other property outgoings incurred in relation to investment properties. These expenses are recognised in the Consolidated Statement of Comprehensive Income on an accrual basis. If these items are recovered from a tenant by the Group, they are recorded within Services revenue or recoverable outgoings within Property revenue.

	2021 $m	2020 $m
Recoverable outgoings and direct recoveries	126.1	130.4
Other non recoverable property expenses	39.0	32.9
Total property expenses	165.1	163.3

Note 3 Management operations, corporate and administration expenses

	2021 $m	2020 Restated[1] $m
Audit, taxation, legal and other professional fees	6.7	9.3
Depreciation and amortisation	9.1	9.9
Employee benefits expense	95.3	92.4
Administration and other expenses	20.9	20.8
Software customisation expenses	11.2	18.0
Total management operations, corporate and administration expenses	143.2	150.4

1 Restatement to 2020 required to comply with recently issued guidance from the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 26 for further details.

Note 4 Finance costs

Finance costs include interest, amortisation or other costs incurred in connection with arrangement of borrowings, finance costs on lease liabilities and realised interest rate swaps. Finance costs are expensed as incurred unless they relate to qualifying assets.

A qualifying asset is an asset under development which takes a substantial period of time, where the works being carried out to bring it to its intended use or sale are expected to exceed 12 months in duration. Finance costs incurred for the acquisition and construction of a qualifying asset are capitalised to the cost of the asset for the period of time that is required to complete the asset. To the extent that funds are borrowed generally to fund development, the amount of borrowing costs to be capitalised to qualifying assets must be determined by using an appropriate capitalisation rate.

	2021 $m	2020 $m
Interest paid/payable	113.9	120.2
Amount capitalised	(1.8)	(9.5)
Realised (gain)/loss of interest rate derivatives	22.3	16.9
Finance costs - leases	0.7	0.8
Debt modification	(13.2)	1.8
Other finance costs	9.8	9.5
Total finance costs	131.7	139.7

The average capitalisation rate used to determine the amount of finance costs eligible for capitalisation is 3.25% (2020: 4.00%).

Note 5 Taxation

Under current Australian income tax legislation, DDF, DIT and DOT are not liable for income tax provided they satisfy certain legislative requirements, which were met in the current and previous financial years. DXO is liable for income tax and has formed a tax consolidated group with its wholly owned and controlled Australian entities. As a consequence, these entities are taxed as a single entity.

Income tax expense is comprised of current and deferred tax expense. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense represents the expense relating to the expected taxable income at the applicable rate of the financial year.

Deferred tax expense represents the tax expense in respect of the future tax consequences of recovering or settling the carrying amount of an asset or liability. Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that future taxable profit will be available to utilise them.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise them.

Attribution managed investment trust regime

Dexus made an election for DDF, DOT and DIT to be attribution managed investment trusts (AMITs) for the year ended 30 June 2017 and future years. The AMIT regime is intended to reduce complexity, increase certainty and minimise compliance costs for AMITs and their investors.

a. Income tax (expense)/benefit

	2021 $m	2020 Restated[1] $m
Current income tax expense	(40.9)	(25.3)
Deferred income tax (expense)/benefit	(0.4)	(11.2)
Total income tax expense	(41.3)	(36.5)
Deferred income tax expense included in income tax (expense)/benefit comprises:		
(Decrease)/increase in deferred tax assets	9.9	3.3
(Increase)/decrease in deferred tax liabilities	(10.3)	(14.5)
Total deferred tax benefit/(expense)	(0.4)	(11.2)

b. Reconciliation of income tax (expense)/benefit to net profit

	2021 $m	2020 Restated[1] $m
Profit before income tax	1,179.7	1,009.2
Less: profit attributed to entities not subject to tax	(1,045.0)	(891.7)
Profit subject to income tax	134.7	117.5
Prima facie tax expense at the Australian tax rate of 30% (2020: 30%)	(40.4)	(35.3)
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
(Non-assessable)/non-deductible items	(0.9)	(1.2)
Income tax expense	(41.3)	(36.5)

1 Restatement to 2020 required to comply with recently issued guidance from the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 26 for further details.

Note 5 Taxation (continued)

c. Deferred tax assets

	2021 $m	2020 Restated[1] $m
The balance comprises temporary differences attributable to:		
Employee provisions	19.1	13.9
Software expenditure	13.3	12.5
Other	6.7	2.8
Total non-current assets – deferred tax assets	39.1	29.2
Movements:		
Opening balance at the beginning of the year	29.2	25.9
Movement in deferred tax asset arising from temporary differences	9.9	3.3
(Charged)/credited to the Consolidated Statement of Comprehensive Income	9.9	3.3
Closing balance at the end of the year	39.1	29.2

d. Deferred tax liabilities

	2021 $m	2020 Restated[1] $m
The balance comprises temporary differences attributable to:		
Intangible assets	76.5	72.4
Investment properties	46.5	42.3
Other	9.0	7.0
Total non-current liabilities – deferred tax liabilities	132.0	121.7
Movements		
Opening balance at the beginning of the year	121.7	107.2
Movement in deferred tax liability arising from temporary differences	10.3	14.5
Charged/(credited) to the Consolidated Statement of Comprehensive Income	10.3	14.5
Closing balance at the end of the year	132.0	121.7

e. Net deferred tax liabilities

	2021 $m	2020 Restated[1] $m
Deferred tax assets	39.1	29.2
Deferred tax liabilities	132.0	121.7
Net deferred tax liabilities	92.9	92.5

1 Restatement to 2020 required to comply with recently issued guidance from the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 26 for further details.

Note 6 Earnings per unit

Earnings per unit are determined by dividing the net profit attributable to unitholders by the weighted average number of ordinary units outstanding during the year. Diluted earnings per unit are adjusted from the basic earnings per unit by taking into account the impact of dilutive potential units.

a. Net profit used in calculating basic and diluted earnings per security

	2021 $m	2020 Restated[1] $m
Profit attributable to unitholders of the Trust (parent entity) for basic and diluted earnings per security	525.0	284.6
Profit attributable to stapled security holders for basic earnings per security	1,138.4	972.7
Effect on exchange of Exchangeable Notes	27.1	12.7
Profit attributable to stapled security holders for diluted earnings per security	1,165.5	985.4

1. Restatement to 2020 required to comply with recently issued guidance from the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 26 for further details.

b. Weighted average number of securities used as a denominator

	2021 No. of securities	2020 No. of securities
Weighted average number of units outstanding used in calculation of basic earnings per unit	1,084,536,777	1,095,096,969
Effect on exchange of Exchangeable Notes	28,333,333	28,333,333
Weighted average number of units outstanding used in calculation of diluted earnings per unit	1,112,870,110	1,123,430,302

Note 7 Distributions paid and payable

Distributions are recognised when declared.

a. Distribution to security holders

	2021 $m	2020 $m
31 December (paid 26 February 2021)	313.6	296.0
30 June (payable 30 August 2021)	247.4	254.3
Total distribution to security holders	561.0	550.3

b. Distribution rate

	2021 Cents per security	2020 Cents per security
31 December (paid 26 February 2021)	28.8	27.0
30 June (payable 30 August 2021)	23.0	23.3
Total distributions	51.8	50.3

c. Franked dividends

	2021 $m	2020 $m
Opening balance at the beginning of the year	94.3	66.3
Income tax paid during the year	59.6	49.4
Franking credits utilised for payment of distribution	(21.4)	(21.4)
Closing balance at the end of the year	132.5	94.3

As at 30 June 2021, the Group had a current tax asset of $21.2 million, which will be added to the franking account balance once payment is made.

Property portfolio assets

In this section

The following table summarises the property portfolio assets detailed in this section.

30 June 2021	Note	Leased Asset $m	Office $m	Industrial $m	Healthcare $m	Other $m	Total $m
Investment properties	8	8.6	6,978.3	1,489.9	–	–	8,476.8
Investments accounted for using the equity method	9	7.4	5,950.0	1,235.5	281.7	–	7,474.6
Inventories	10	–	–	178.2	–	–	178.2
Non-current assets classified as held for sale	11	–	967.0	–	–	–	967.0
Financial assets at fair value through profit or loss	12	–	–	–	–	180.5	180.5
Total		16.0	13,895.3	2,903.6	281.7	180.5	17,277.1

Property portfolio assets are used to generate the Group's performance and are considered to be the most relevant to the understanding of the operating performance of the Group. The assets are detailed in the following notes:

- *Investment properties:* relates to investment properties, both stabilised and under development.
- *Investments accounted for using the equity method:* provides summarised financial information on the joint ventures and investments with significant influence. The Group's interests in its joint venture property portfolio assets are held through investments in trusts.
- *Inventories:* relates to the Group's ownership of industrial and office assets or land held for repositioning, development and sale.
- *Non-current assets classified as held for sale:* relates to investment properties and investment properties included within equity accounted investments which are expected to be sold within 12 months of the reporting date and are currently being marketed for sale.
- *Financial assets at fair value through profit or loss:* relates to minority interests in unlisted managed property funds.

Note 8 Investment properties

The Group's investment properties consist of properties held for long-term rental yields and/or capital appreciation and property that is being constructed or developed for future use as investment property. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently recognised at fair value.

The basis of valuations of investment properties is fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Changes in fair values are recorded in the Consolidated Statement of Comprehensive Income. The gain or loss on disposal of an investment property is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Consolidated Statement of Comprehensive Income in the year of disposal.

Subsequent redevelopment and refurbishment costs (other than repairs and maintenance) are capitalised to the investment property where they result in an enhancement in the future economic benefits of the property.

Leasing fees incurred and incentives provided are capitalised and amortised over the lease periods to which they relate.

Note 8 Investment properties (continued)

a. Reconciliation

	Note	Office $m	Industrial $m	2021 $m	2020 $m
Opening balance at the beginning of the year		6,987.8	1,228.1	8,215.9	8,170.0
Additions		78.2	23.2	101.4	240.7
Acquisitions		92.6	104.9	197.5	171.7
Lease incentives		36.5	7.4	43.9	60.4
Amortisation of lease incentives		(75.2)	(8.6)	(83.8)	(84.7)
Rent straightlining		0.8	(2.0)	(1.2)	14.8
Disposals		–	(13.0)	(13.0)	(223.3)
Transfer to non-current assets classified as held for sale	11	(272.8)	–	(272.8)	(530.0)
Transfer to investment properties from inventories		–	6.9	6.9	–
Net fair value gain/(loss) of investment properties[1]		139.0	143.0	282.0	386.5
Ground leases of investment properties		–	–	–	9.8
Closing balance at the end of the year		6,986.9	1,489.9	8,476.8	8,215.9

1 Excludes the fair value loss recognised on the sale of 45 Clarence Street, Sydney, NSW. At 30 June 2020 this asset was recognised as a part of Non-current assets classified as held for sale.

Leased assets

The Group holds leasehold interests in a number of properties. Leasehold land that meets the definition of investment property under AASB 140 *Investment Property* is measured at fair value and presented within Investment property. The leased asset is measured initially at an amount equal to the corresponding lease liability. Subsequent to initial recognition, the leased asset is recognised at fair value in the Consolidated Statement of Financial Position. Refer to note 14 for details of the *Lease liabilities*.

Acquisitions

On 3 August 2020, settlement occurred for the acquisition of 155, 159, 171 Edward Street, Brisbane QLD for $87.0 million excluding acquisition costs.

On 11 September 2020, settlement occurred for the acquisition of 141 Anton Road, Hemmant QLD for $31.8 million excluding acquisition costs.

On 8 April 2021, settlement occurred for the acquisition of 84 Lahrs Road, Ormeau QLD, 18 Motorway Circuit, Ormeau QLD, and 47 Acanthus Street, Darra QLD for $67.2 million excluding acquisition costs.

Disposals

On 1 April 2021, settlement occurred for the disposal of a 24% interest in 250 Forest Road South, Lara VIC for $13.2 million excluding transaction costs.

b. Valuations process

It is the policy of the Group to perform independent valuations for each individual property at least once every three years by a member of the Australian Property Institute of Valuers. It has been the Group's practice to have such valuations performed every six months. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three years except for properties under development and co-owned properties. Independent valuations may be undertaken earlier where the Responsible Entity believes there is potential for a change in the fair value of the property, being 5% of the asset value. At 30 June 2021, 117 out of 128 investment properties were independently externally valued.

The Group's policy requires investment properties to be internally valued at least every six months at each reporting period (interim and full-year) unless they have been independently externally valued. Internal valuations are compared to the carrying value of investment properties at the reporting date. Where the Directors determine that the internal valuations present a more reliable estimate of fair value the internal valuation is adopted as book value. Internal valuations are performed by the Group's internal valuers who hold recognised relevant professional qualifications and have previous experience as property valuers from major real estate valuation firms.

An appropriate valuation methodology is utilised according to asset class. In relation to office and industrial assets this includes the capitalisation approach (market approach) and the discounted cash flow approach (income approach). The valuation is also compared to, and supported by, direct comparison to recent market transactions. The adopted capitalisation rates and discount rates are determined based on industry expertise and knowledge and, where possible, a direct comparison to third party rates for similar assets in a comparable location. Rental revenue from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are also built into each asset assessment of fair value.

In relation to development properties under construction for future use as investment property, where reliably measurable, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date (using the methodology as outlined above) less costs still required to complete the project, including an appropriate adjustment for industry benchmarked profit and development risk.

Note 8 Investment properties (continued)

c. Fair value measurement, valuation techniques and inputs

The following table represents the level of the fair value hierarchy and the associated unobservable inputs utilised in the fair value measurement for each class of investment property including investment property held within investments accounted for using the equity method.

Class of property	Fair value hierarchy	Inputs used to measure fair value	Range of unobservable inputs 2021	Range of unobservable inputs 2020
Office[1]	Level 3	Adopted capitalisation rate	4.00% – 6.25%	4.00% – 6.25%
		Adopted discount rate	5.50% – 6.75%	5.75% – 7.50%
		Adopted terminal yield	4.25% – 6.50%	4.25% – 6.63%
		Current net market rental (per sqm)	$223 – $1,662	$228 – $1,452
Industrial	Level 3	Adopted capitalisation rate	3.88% – 9.75%	4.75% – 10.50%
		Adopted discount rate	5.50% – 9.75%	6.00% – 10.50%
		Adopted terminal yield	4.13% – 9.75%	4.75% – 10.50%
		Current net market rental (per sqm)	$40 – $850	$40 – $610
Leased asset	Level 3	Adopted discount rate	3.50% – 8.15%	3.50% – 8.15%
		Current net market rental (per sqm)	$100 – $478	$100 – $478

1 Includes office developments and excludes car parks, retail and other.

Key estimates: inputs used to measure fair value of investment properties

Judgement is required in determining the following key assumptions:

- **Adopted capitalisation rate:** The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation.
- **Adopted discount rate:** The rate of return used to convert cash flows, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence and the prior external valuation.
- **Adopted terminal yield:** The capitalisation rate used to convert the future net market rental revenue into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regard to market evidence and the prior external valuation.
- **Net market rental (per sqm):** The net market rent is the estimated amount for which a property should lease between a lessor and a lessee on appropriate lease terms in an arm's length transaction.

d. Impact of COVID-19 on fair value of investment properties

There is a continuing level of uncertainty regarding the ultimate impact of COVID-19 on the Group's investment property valuations. As a result, the independent valuations incorporate a range of assumptions used in determining appropriate fair values for investment properties as at 30 June 2021. The assumptions that have had the greatest impact on the valuations are listed below:

- Valuers have adjusted market rental growth, downtime and incentive assumptions within their discounted cashflow (DCF) method of valuing to reflect current market uncertainty;
- Some valuers have incorporated an allowance for the uncertainty in relation to the payment of rent with regards to the Government's Code of Conduct where the tenant pool comprises small to medium enterprises (SMEs) or where operating hours have been impacted; and,
- Capitalisation and discount rates have generally remained relatively stable for office assets and firmed for industrial assets.

Some of the independent valuations obtained by the Group also include significant valuation uncertainty clauses due to the unknown impacts ongoing lockdowns and limited interstate travel may have on the investment property assets in the various markets. These clauses have been removed from most industrial valuations due to the current transaction volumes and market pricing. The Group considers that the assumptions used in the valuations are materially appropriate for the purposes of determining fair value of investment properties at 30 June 2021.

Note 8 Investment properties (continued)

e. Sensitivity information

Significant movement in any one of the inputs listed in the table above may result in a change in the fair value of the Group's investment properties, including investment properties within investments accounted for using the equity method, as shown below.

The estimated impact of a change in certain significant unobservable inputs would result in a change in the fair value as follows:

	Industrial		Office	
	2021 $m	2020 $m	2021 $m	2020 $m
A decrease of 25 basis points in the adopted capitalisation rate	146.0	93.6	694.0	736.3
An increase of 25 basis points in the adopted capitalisation rate	(131.8)	(85.6)	(626.7)	(663.8)
A decrease of 25 basis points in the adopted discount rate	117.6	78.4	554.2	568.7
An increase of 25 basis points in the adopted discount rate	(108.3)	(72.7)	(510.4)	(524.5)
A decrease of 5% in the net market rental (per sqm)	(136.3)	(100.2)	(646.4)	(674.5)
An increase of 5% in the net market rental (per sqm)	136.3	100.2	646.4	674.5

Generally, a change in the assumption made for the adopted capitalisation rate is often accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the capitalisation approach whilst the adopted terminal yield forms part of the discounted cash flow approach.

Under the capitalisation approach, the net market rental has a strong interrelationship with the adopted capitalisation rate as the fair value of the investment property is derived by capitalising, in perpetuity, the total net market rent receivable. An increase (softening) in the adopted capitalisation rate may offset the impact to fair value of an increase in the total net market rent. A decrease (tightening) in the adopted capitalisation rate may also offset the impact to fair value of a decrease in the total net market rent. A directionally opposite change in the total net market rent and the adopted capitalisation rate may increase the impact to fair value.

The discounted cash flow is primarily made up of the discounted cash flow of net income over the cash flow period and the discounted terminal value (which is largely based upon market rents grown at forecast market rental growth rates capitalised at an adopted terminal yield). An increase (softening) in the adopted discount rate may offset the impact to fair value of a decrease (tightening) in the adopted terminal yield. A decrease (tightening) in the discount rate may offset the impact to fair value of an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield may increase the impact to fair value.

A decrease (softening) in the forecast rental growth rate may result in a negative impact on the discounted cash flow approach value while a strengthening may have a positive impact on the value under the same approach.

f. Investment properties pledged as security

Refer to note 15 for information on investment properties pledged as security.

Note 9 Investments accounted for using the equity method

a. Interest in joint ventures and associates

Investments are accounted for in the Consolidated Financial Statements using the equity method of accounting (refer to the 'Principles of Consolidation' section). The proportion of ownership interest and the carrying amount of Dexus's interest in these entities is set out below. The below entities were formed in Australia and their principal activity is property investment in Australia.

	Ownership interest			
Name of entity	2021 %	2020 %	2021 $m	2020 $m
Dexus Office Trust Australia (DOTA)	50.0	50.0	2,573.1	2,696.4
Dexus 80C Trust	75.0	75.0	1,154.5	830.1
Dexus Martin Place Trust	50.0	50.0	986.7	926.5
Dexus Australian Logistics Trust (DALT)	51.0	51.0	559.3	465.1
Grosvenor Place Holding Trust[1, 2]	50.0	50.0	454.6	483.2
Dexus 480 Q Holding Trust	50.0	50.0	385.7	390.1
Bent Street Trust	33.3	33.3	375.6	358.8
Dexus Australian Logistics Trust No.2 (DALT2)	51.0	51.0	373.2	130.1
Dexus Kings Square Trust	50.0	50.0	251.4	234.5
Dexus Industrial Trust Australia (DITA)	50.0	50.0	238.6	218.4
Dexus Creek Street Trust	50.0	50.0	205.7	199.5
Dexus Healthcare Property Fund (DHPF)[3]	23.1	27.8	157.6	126.2
Site 7 Homebush Bay Trust[1]	50.0	50.0	87.4	62.1
Dexus Australian Logistics Trust No.3 (DALT3)[4, 5]	51.0	–	77.0	–
Dexus Australia Commercial Trust (DACT)	10.0	10.0	62.9	68.6
Site 6 Homebush Bay Trust[1]	50.0	50.0	43.8	46.3
Dexus Eagle Street Pier Trust	50.0	50.0	35.5	33.0
SAHMRI 2 Holding Trust[6]	50.0	–	26.1	–
RealTech Ventures	62.1	62.1	11.5	8.9
Dexus Walker Street Trust	50.0	50.0	9.2	9.6
Divvy Parking Pty Limited[7]	24.8	16.4	1.0	–
Total assets - investments accounted for using the equity method[8]			8,070.4	7,287.4

1 These entities are 50% owned by Dexus Office Trust Australia (DOTA). The Group's economic interest is therefore 75% when combined with the interest held by DOTA.

2 Grosvenor Place Holding Trust owns 50% of Grosvenor Place, at 225 George Street, Sydney, NSW. The Group's economic interest in this property is therefore 37.5%. On 18 November 2020, contracts were conditionally exchanged to sell interests in Grosvenor Place.

3 Previously Healthcare Wholesale Property Fund (HWPF). The Group's interest in DHPF was diluted as a result of DHPF issuing units to other existing and new unitholders. On 30 October 2020, settlement occurred on the acquisition of a 50% interest in SAHMRI 2, Adelaide, SA for $26.5 million excluding transaction costs.

4 Dexus Australian Logistics Trust No.3 (DALT3) was formed on 22 July 2020.

5 On 21 December 2020, settlement occurred on the acquisition of a 50% interest in 11 Lord Street, Botany for $48.0 million excluding acquisition costs.

6 On 30 October 2020, settlement occurred on the acquisition of a 50% interest in SAHMRI 2, Adelaide, SA for $26.5 million excluding transaction costs. The Group's economic interest in this property is therefore 61.5% when combined with the interest held by DHPF.

7 The investment in Divvy Parking Pty Limited was previously classified as a financial asset at fair value through profit and loss. During the current financial year, the Group increased its ownership interest above 20% resulting in the Group obtaining significant influence over the investment and adopting the equity method of accounting. The principal activity of Divvy Parking Pty Limited is to provide parking software and hardware solutions to landlords which drive increased utilisation of paid parking bays.

8 The Group's share of investment properties in the investments accounted for using the equity method was $7,474.6 million (June 2020: $7,433.4 million). Additionally, held for sale assets in the investments accounted for using the equity method was $694.2 million (June 2020: $46.4 million). These investments are accounted for using the equity method as a result of contractual arrangements requiring unanimous decisions on all relevant matters.

Note 9 Investments accounted for using the equity method (continued)

b. Impact of COVID-19 on Investments accounted for using the equity method

The carrying values of the above investments accounted for using the equity method have been tested for impairment under AASB 136 *Impairment of Assets* to take into consideration the impact of COVID-19.

The main risk to the value of the investments accounted for using the equity method is the fair value of the underlying investment properties. Note 8 gives further explanation of the approach taken to measure the fair value of investment properties in light of COVID-19. Any fair value movements are recorded within share of net profit of investments accounted for using the equity method in the Consolidated Statement of Comprehensive Income. During the year, there were no impairment losses recorded (June 2020: $12.2 million).

c. Summarised financial information for individually material joint ventures and associates and equity accounted investments

The following table provides summarised financial information for the joint ventures and associates and equity accounted investments which, in the opinion of the directors, are material to the Group. The information disclosed reflects the amounts presented in the Financial Statements of the relevant joint ventures and associates and not Dexus' share of those amounts.

Note 9 Investments accounted for using the equity method (continued)

d. Summarised financial information for individually material joint ventures and associates

	Dexus Office Trust Australia		Dexus 80C Trust	
Summarised Statement of Financial Position	**2021 $m**	**2020 $m**	**2021 $m**	**2020 $m**
Current assets				
Cash and cash equivalents	47.2	55.0	5.4	9.0
Other current assets	20.0	82.3	48.2	18.5
Total current assets	67.2	137.3	53.6	27.5
Non-current assets				
Investment properties	4,559.8	4,729.6	1,566.5	1,352.5
Investments accounted for using the equity method	585.7	591.6	–	–
Loans with related parties	–	–	–	–
Other non-current assets	48.4	48.6	–	–
Total non-current assets	5,193.9	5,369.8	1,566.5	1,352.5
Current liabilities				
Provision for distribution	33.1	30.2	2.8	4.0
Borrowings	0.1	0.1	–	234.0
Other current liabilities	59.1	61.5	78.0	35.2
Total current liabilities	92.3	91.8	80.8	273.2
Non-current liabilities				
Borrowings	22.6	22.5	–	–
Other non current liabilities	–	–	–	–
Total non-current liabilities	22.6	22.5	–	–
Net assets	5,146.2	5,392.8	1,539.3	1,106.8
Reconciliation to carrying amounts:				
Opening balance at the beginning of the year	5,392.8	4,836.8	1,106.8	1,164.6
Additions	64.2	387.6	436.1	–
Profit for the year	235.8	389.0	52.8	(6.3)
Distributions received/receivable	(546.6)	(220.6)	(56.4)	(51.5)
Closing balance at the end of the year	5,146.2	5,392.8	1,539.3	1,106.8
Group's share in $m	2,572.4	2,696.4	1,154.5	830.1
Notional goodwill	–	–	–	–
Group's carrying amount	2,572.4	2,696.4	1,154.5	830.1
Summarised Statement of Comprehensive Income				
Property revenue	278.3	297.7	46.6	28.1
Property revaluations	50.3	155.6	29.5	(19.5)
Gain/(loss) on sale of investment properties	–	–	–	–
Interest income	–	0.3	0.1	0.4
Share of net profit of investments accounted for using the equity method	16.4	46.2	–	–
Other income	0.7	0.4	(0.1)	–
Property expenses	(92.4)	(90.0)	(14.9)	(7.9)
Finance costs	(1.5)	(5.2)	–	–
Other expenses	(16.0)	(16.0)	(8.4)	(7.4)
Net profit/(loss) for the year	235.8	389.0	52.8	(6.3)
Total comprehensive income/(loss) for the year	235.8	389.0	52.8	(6.3)

Dexus Martin Place Trust		Dexus Australian Logistics Trust		Grosvenor Place Holding Trust		Dexus 480Q Holding Trust		Bent Street Trust	
2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
4.5	10.6	10.6	9.3	1.3	0.8	5.6	4.0	3.8	3.7
5.2	10.7	3.8	3.8	927.5	3.2	3.0	1.3	2.1	2.0
9.7	21.3	14.4	13.1	928.8	4.0	8.6	5.3	5.9	5.7
1,920.5	1,861.8	1,096.6	912.0	–	975.0	775.5	780.0	1,130.0	1,100.0
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
76.0	0.5	0.6	0.6	0.1	–	0.2	0.2	–	–
1,996.5	1,862.3	1,097.2	912.6	0.1	975.0	775.7	780.2	1,130.0	1,100.0
6.7	2.4	8.4	7.6	16.1	5.9	4.5	0.8	4.6	20.2
–	–	–	–	–	–	–	–	–	–
26.2	28.2	6.5	6.1	3.6	6.7	8.4	4.6	4.4	9.2
32.9	30.6	14.9	13.7	19.7	12.6	12.9	5.4	9.0	29.4
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
1,973.3	1,853.0	1,096.7	912.0	909.2	966.4	771.4	780.1	1,126.9	1,076.3
1,853.0	1,653.7	912.0	876.7	966.4	939.4	780.1	773.0	1,076.3	1,049.6
116.0	80.4	–	–	–	–	–	5.1	20.2	–
50.4	173.4	237.0	74.4	(15.7)	72.5	31.4	42.2	89.4	83.5
(46.1)	(54.5)	(52.3)	(39.1)	(41.5)	(45.5)	(40.1)	(40.2)	(59.0)	(56.8)
1,973.3	1,853.0	1,096.7	912.0	909.2	966.4	771.4	780.1	1,126.9	1,076.3
986.7	926.5	559.3	465.1	454.6	483.2	385.7	390.1	375.6	358.8
–	–	–	–	–	–	–	–	–	–
986.7	926.5	559.3	465.1	454.6	483.2	385.7	390.1	375.6	358.8
82.2	91.5	62.3	60.8	46.3	51.5	49.9	52.5	56.6	54.8
(3.8)	115.2	195.2	33.7	(48.8)	34.5	1.9	9.0	47.4	41.9
11.4	1.0	–	–	–	–	–	–	–	–
–	0.1	–	0.2	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
0.1	–	–	–	–	–	–	0.1	–	0.1
(28.9)	(24.6)	(16.4)	(16.5)	(13.2)	(13.4)	(16.0)	(15.1)	(14.6)	(13.3)
–	–	–	–	–	–	–	–	–	–
(10.6)	(9.8)	(4.1)	(3.8)	–	(0.1)	(4.4)	(4.3)	–	–
50.4	173.4	237.0	74.4	(15.7)	72.5	31.4	42.2	89.4	83.5
50.4	173.4	237.0	74.4	(15.7)	72.5	31.4	42.2	89.4	83.5

Note 9 Investments accounted for using the equity method (continued)

d. Summarised financial information for individually material joint ventures and associates (continued)

	Dexus Australian Logistics Trust No. 2		Dexus Kings Square Trust	
Summarised Statement of Financial Position	**2021 $m**	**2020 $m**	**2021 $m**	**2020 $m**
Current assets				
Cash and cash equivalents	35.7	57.2	3.5	4.3
Other current assets	1.2	0.4	0.7	0.1
Total current assets	36.9	57.6	4.2	4.4
Non-current assets				
Investment properties	719.9	211.8	507.5	477.0
Investments accounted for using the equity method	–	–	–	–
Loans with related parties	–	–	–	–
Other non-current assets	–	–	–	–
Total non-current assets	719.9	211.8	507.5	477.0
Current liabilities				
Provision for distribution	1.5	0.1	3.6	4.7
Borrowings	–	–	–	–
Other current liabilities	23.6	14.2	5.4	7.7
Total current liabilities	25.1	14.3	9.0	12.4
Non-current liabilities				
Borrowings	–	–	–	–
Other non current liabilities	–	–	–	–
Total non-current liabilities	–	–	–	–
Net assets	731.7	255.1	502.7	469.0
Reconciliation to carrying amounts:				
Opening balance at the beginning of the year	255.1	127.8	469.0	441.4
Additions	277.3	131.9	–	0.8
Profit for the year	203.1	(4.5)	60.8	51.7
Distributions received/receivable	(3.8)	(0.1)	(27.1)	(24.9)
Closing balance at the end of the year	731.7	255.1	502.7	469.0
Group's share in $m	372.8	130.1	251.4	234.5
Notional goodwill	–	–	–	–
Group's carrying amount	372.8	130.1	251.4	234.5
Summarised Statement of Comprehensive Income				
Property revenue	7.9	–	36.4	36.0
Property revaluations	197.9	(4.6)	38.3	29.4
Gain/(loss) on sale of investment properties	–	–	–	–
Interest income	0.1	0.2	–	–
Share of net profit of investments accounted for using the equity method	–	–	–	–
Other income	(0.1)	–	–	–
Property expenses	(1.4)	–	(11.2)	(11.1)
Finance costs	–	–	–	–
Other expenses	(1.3)	(0.1)	(2.7)	(2.6)
Net profit/(loss) for the year	203.1	(4.5)	60.8	51.7
Total comprehensive income/(loss) for the year	203.1	(4.5)	60.8	51.7

1 The Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

Dexus Industrial Trust Australia		Dexus Creek Street Trust		Dexus Healthcare Property Fund		Other[1]		Total	
2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
8.4	7.2	3.0	2.2	9.2	123.7	41.5	13.1	179.7	300.1
0.9	31.9	1.9	1.2	10.2	2.3	18.1	3.6	1,042.8	161.3
9.3	39.1	4.9	3.4	19.4	126.0	59.6	16.7	1,222.5	461.4
474.9	403.6	418.0	400.0	888.0	522.4	1,262.5	991.4	15,319.7	14,717.1
–	–	–	–	26.0	–	0.1	0.1	611.8	591.7
–	–	–	–	–	–	0.4	0.3	0.4	0.3
–	–	0.2	0.2	30.6	–	9.5	5.0	165.6	55.1
474.9	403.6	418.2	400.2	944.6	522.4	1,272.5	996.8	16,097.5	15,364.2
4.7	4.2	4.7	0.6	7.5	4.6	5.7	1.9	103.9	87.2
–		–	–	–	–	0.5	0.6	0.6	234.7
2.4	1.7	7.0	4.0	7.2	17.6	37.2	9.4	269.0	206.1
7.1	5.9	11.7	4.6	14.7	22.2	43.4	11.9	373.5	528.0
–	–	–	–	246.3	152.8	16.9	–	285.8	175.3
–	–	–	–	19.8	19.8	65.7	4.8	85.5	24.6
–	–	–	–	266.1	172.6	82.6	4.8	371.3	199.9
477.1	436.8	411.4	399.0	683.3	453.6	1,206.1	996.8	16,575.2	15,097.7
436.8	404.9	399.0	353.7	453.6	183.7	996.8	256.6	15,097.7	13,061.9
–	7.0	6.0	30.7	170.0	245.1	189.5	736.7	1,279.2	1,625.3
90.5	40.7	21.0	29.6	84.8	40.1	36.8	12.9	1,178.1	999.2
(50.2)	(15.8)	(14.6)	(15.0)	(25.1)	(15.3)	(17.0)	(9.4)	(979.8)	(588.7)
477.1	436.8	411.4	399.0	683.3	453.6	1,206.1	996.8	16,575.2	15,097.7
238.9	218.4	205.7	199.5	158.0	126.2	351.7	225.3	8,067.3	7,284.2
–	–	–	–	–	–	3.1	3.2	3.1	3.2
238.9	218.4	372.8	199.5	158.0	126.2	354.8	228.5	8,070.4	7,287.4
24.0	23.6	22.4	21.9	30.7	20.6	58.2	22.2	801.8	761.2
72.6	22.7	9.1	17.2	67.0	26.7	6.2	4.5	662.8	466.3
–	(0.1)	–	–	–	–	–	–	11.4	0.9
–	–	–	–	1.3	0.5	–	–	1.5	1.7
–	–	–	–	(0.3)	–	–	–	16.1	46.2
–	0.1	–	–	–	2.1	2.5	0.1	3.2	2.9
(4.7)	(4.3)	(8.3)	(7.3)	(3.1)	(1.6)	(23.3)	(11.7)	(248.4)	(216.8)
–	–	–	–	(6.0)	(5.2)	(0.2)	(0.2)	(7.7)	(10.6)
(1.4)	(1.3)	(2.3)	(2.2)	(4.8)	(3.0)	(6.6)	(2.0)	(62.6)	(52.6)
90.5	40.7	21.0	29.6	84.8	40.1	36.8	12.9	1,178.1	999.2
90.5	40.7	21.0	29.6	84.8	40.1	36.8	12.9	1,178.1	999.2

Note 10 Inventories

Development properties held for repositioning, construction and sale are recorded at the lower of cost or net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and holding costs such as borrowing costs, rates and taxes. Holding costs incurred after completion of development are expensed.

Development revenue includes proceeds on the sale of inventory and revenue earned through the provision of development services on assets sold as inventory. Revenue earned on the provision of development services is recognised using the percentage complete method. The stage of completion is measured by reference to costs incurred to date as a percentage of estimated total costs for each contract. Where the project result can be reliably estimated, development services revenue and associated expenses are recognised in profit or loss. Where the project result cannot be reliably estimated, profits are deferred and the difference between consideration received and expenses incurred is carried forward as either a receivable or payable. Development services revenue and expenses are recognised immediately when the project result can be reliably estimated.

Transfers from investment properties to inventories occur when there is a change in intention regarding the use of the property from an intention to hold for rental income or capital appreciation purposes to an intention to develop and sell. The transfer price is recorded as the fair value of the property as at the date of transfer. Development activities will commence immediately after they transfer.

Key estimate: Net Realisable Value (NRV) of inventories

NRV is determined using the estimated selling price in the ordinary course of business less estimated costs to bring inventories to their finished condition, including marketing and selling expenses. NRV is based on the most reliable evidence available at the time and the amount the inventories are expected to be realised. These key assumptions are reviewed annually or more frequently if indicators of impairment exist. Key estimates have been reviewed and updated in light of COVID-19. No impairment provisions have been recognised.

a. Development properties held for sale

	2021 $m	2020 $m
Current assets		
Development properties held for sale	137.2	179.5
Total current assets – inventories	137.2	179.5
Non-current assets		
Development properties held for sale	41.0	156.3
Total non-current assets – inventories	41.0	156.3
Total assets – inventories	178.2	335.8

b. Reconciliation

	Note	2021 $m	2020 $m
Opening balance at the beginning of the year		335.8	457.7
Transfer to investment properties	8	(6.9)	–
Acquisitions		9.6	–
Disposals		(176.2)	(173.6)
Reversal of impairment		4.7	–
Additions		11.2	51.7
Closing balance at the end of the year		178.2	335.8

Note 10 Inventories (continued)

Acquisitions

On 17 June 2021, settlement occurred for the acquisition of 22 Business Park Drive, Ravenhall VIC for $9.0 million excluding acquisition costs.

Disposals

On 20 August 2020, settlement occurred for the disposal of a 25% interest in 201 Elizabeth Street, Sydney NSW for gross proceeds of $157.5 million excluding transaction costs.

On 1 October 2020, settlement occurred for the disposal of 47-53 Foundation Drive, Truganina VIC and 380 Doherty's Road, Truganina VIC for gross proceeds of $29.2 million excluding transaction costs.

On 21 December 2020, settlement occurred for the disposal of a 50% interest in 11 Lord Street, Botany NSW (Lakes Business Park South) for gross proceeds of $48.0 million excluding transaction costs.

Impact of COVID-19 on Inventories

An assessment of whether the project result is impacted as a result of COVID-19 has been performed. There has been minimal impact on development services revenue and expenses as a result of project delays, changes in assessments related to future sales prices or changes in costs expected to be incurred to complete projects.

Key estimates used to determine the Net Realisable Value (NRV) of inventories have been reviewed and updated in light of COVID-19. No impairment provisions have been recognised.

Note 11 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable.

Non-current assets classified as held for sale are presented separately from the other assets in the Consolidated Statement of Financial Position. Non-current assets classified as held for sale relate to investment properties measured at fair value.

At 30 June 2021, the balance relates to 60 Miller Street, North Sydney NSW.

At 30 June 2020, the balance related to 45 Clarence Street, Sydney NSW.

Note 12 Financial assets at fair value through profit or loss

The Group's investments in financial assets consists of minority equity interests in Australian unlisted entities and managed property funds. Financial assets are initially recognised at cost, excluding transaction costs. Transaction costs are expensed as incurred in the Consolidated Statement of Comprehensive Income. Financial assets are subsequently measured at fair value with any realised or unrealised gains being recognised in the Consolidated Statement of Comprehensive Income in the period in which they arise.

a. Classification of financial assets at fair value through profit or loss (FVPL)

	2021 $m	2020 $m
Non-current assets		
Equity investments in Australian unlisted entities	–	0.4
Equity investments in Australian managed funds[1]	180.5	–
Total current financial assets at fair value through profit or loss	180.5	0.4

1 On 9 June 2021 Dexus announced it had participated in Australian Unity Healthcare Property Trust's ("AUHPT") placement and entitlement offer and had subscribed to $180 million worth of wholesale units in AUHPT, representing approximately 7% of the pro forma issued equity in AUHPT.

b. Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss:

	2021 $m	2020 $m
Fair value gains/(losses) on equity investments in Australian unlisted entities	–	(2.7)
Fair value gains/(losses) on equity investments in Australian managed funds	–	–
Total gains/(losses) at fair value through profit or loss	–	(2.7)

c. Fair value measurement

Refer to Note 13 for the methods used in the determination and disclosure of the fair value of financial instruments.

Equity investments in unlisted entities and managed funds are measured at Level 3 using unit prices which are based on the net assets of the relevant fund, which is largely comprised of investment property held at fair value. During the year, there were no transfers between Level 1, 2 and 3 fair value measurement.

Capital and financial risk management and working capital

In this section

The Group's overall risk management program focuses on reducing volatility from impacts of movements in financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Note 13 *Capital and financial risk management* outlines how the Group manages its exposure to a variety of financial risks (interest rate risk, foreign currency risk, liquidity risk and credit risk) and details the various derivative financial instruments entered into by the Group.

The Board determines the appropriate capital structure of the Group, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from security holders (equity) in order to finance the Group's activities both now and in the future. This capital structure is detailed in the following notes:

Debt: *Lease liabilities* in note 14, *Interest bearing liabilities* in note 15, and *Commitments and contingencies* in note 16;

Equity: *Contributed equity* in note 17 and *Reserves* in note 18.

Note 19 provides a breakdown of the working capital balances held in the Consolidated Statement of Financial Position.

Note 13 Capital and financial risk management

Capital and financial risk management is carried out through a centralised treasury function which is governed by a Board approved Treasury Policy. The Group has an established governance structure which consists of the Group Management Committee and Capital Markets Committee.

The Board has appointed a Group Management Committee responsible for achieving Dexus' goals and objectives, including the prudent financial and risk management of the Group. A Capital Markets Committee has been established to advise the Group Management Committee.

The Capital Markets Committee is a management committee that is accountable to the Board. It convenes at least quarterly and conducts a review of financial risk management exposures including liquidity, funding strategies and hedging. It is also responsible for the development of financial risk management policies and funding strategies for recommendation to the Board, and the approval of treasury transactions within delegated limits and powers.

a. Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to security holders. The Group continuously monitors its capital structure and it is managed in consideration of the following factors:

- the cost of capital and the financial risks associated with each class of capital;
- gearing levels and other debt covenants;
- potential impacts on net tangible assets and security holders' equity;
- potential impacts on the Group's credit rating; and
- other market factors.

Note 13 Capital and financial risk management (continued)

a. Capital risk management (continued)

The Group has a stated target gearing level of 30% to 40%. The table below details the calculation of the gearing ratio in accordance with its primary financial covenant requirements.

	2021 $m	2020 $m
Total interest bearing liabilities[1]	4,629.1	4,210.8
Total tangible assets[2]	17,447.1	16,593.1
Gearing ratio	26.5%	25.4%
Gearing ratio (look-through)[3]	26.7%	26.3%

1 Total interest bearing liabilities excludes deferred borrowing costs and includes the impact of foreign currency fluctuations of cross-currency swaps.
2 Total tangible assets comprise total assets less intangible assets, derivatives and deferred tax balances.
3 The look-through gearing ratio is adjusted for cash and debt in equity accounted investments and is not a financial covenant.

The Group is rated A- by Standard & Poor's (S&P) and A3 by Moody's. The Group is required to comply with certain financial covenants in respect of its interest bearing liabilities. During the 2021 and 2020 reporting periods, the Group was in compliance with all of its financial covenants.

DXFM is the Responsible Entity for the managed investment schemes (DDF, DIT, DOT and DXO) that are stapled to form the Group. DXFM has been issued with an Australian Financial Services Licence (AFSL). The licence is subject to certain capital requirements including the requirement to maintain liquidity above specified limits. DXFM must also prepare rolling cash projections over at least the next 12 months and demonstrate it will have access to sufficient financial resources to meet its liabilities that are expected to be payable over that period. Cash projections and assumptions are approved, at least quarterly, by the Board of the Responsible Entity.

Dexus Wholesale Property Limited (DWPL), a wholly owned entity, has been issued with an AFSL as it is the Responsible Entity for Dexus Wholesale Property Fund (DWPF) and Dexus ADPF (DADPF). Dexus Wholesale Management Limited (DWML), a wholly owned entity, has been issued with an AFSL as it is the trustee of third party managed funds. Dexus Wholesale Funds Limited (DWFL), a wholly owned entity, has been issued with an AFSL as it is the Responsible Entity for Dexus Healthcare Property Fund (DHPF). Dexus Investment Management Limited (DIML), a wholly owned entity, has been issued with an AFSL as the Responsible Entity for Dexus Industrial Fund (DIF), a wholly owned entity. These entities are subject to the capital requirements described above.

b. Financial risk management

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group's principal financial instruments, other than derivatives, comprise cash, bank loans and capital markets issuance. The main purpose of financial instruments is to manage liquidity and hedge the Group's exposure to financial risks namely:

- interest rate risk;
- foreign currency risk;
- liquidity risk; and
- credit risk.

The Group uses derivatives to reduce the Group's exposure to fluctuations in interest rates and foreign exchange rates. These derivatives create an obligation or a right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation. Derivative financial instruments that the Group may use to hedge its risks include:

- interest rate swaps and interest rate options (together interest rate derivatives);
- cross-currency interest rate swaps and foreign exchange contracts; and
- other derivative contracts.

The Group does not trade in interest rate or foreign exchange related derivative instruments for speculative purposes. The Group uses different methods to measure the different types of risks to which it is exposed, including monitoring the current and forecast levels of exposure and conducting sensitivity analysis.

Note 13 Capital and financial risk management (continued)

b. Financial risk management (continued)

i. Market risk

Interest rate risk

Interest rate risk arises from interest bearing financial assets and liabilities that the Group utilises. Non-derivative interest bearing financial instruments are predominantly short term liquid assets and long term debt issued at fixed rates which expose the Group to fair value interest rate risk as the Group may pay higher interest costs than if it were at variable rates. The Group's borrowings which have a variable interest rate give rise to cash flow interest rate risk due to movements in variable interest rates.

The Group's risk management policy for interest rate risk seeks to minimise the effects of interest rate movements on its asset and liability portfolio through active management of the exposures. The policy prescribes minimum and maximum hedging amounts for the Group, which is managed on a portfolio basis.

The Group maintains a mix of offshore and local currency fixed rate and variable rate debt, as well as a mix of long term and short term debt. The Group primarily enters into interest rate derivatives and cross-currency interest rate swap agreements to manage the associated interest rate risk. The Group hedges the interest rate and currency risk on its foreign currency borrowings by entering into cross-currency swaps, which have the economic effect of converting foreign currency borrowings to local currency borrowings at contracted rates. The derivative contracts are recorded at fair value in the Consolidated Statement of Financial Position, using standard valuation techniques with market inputs.

As at 30 June 2021, 68% (2020: 81%) of the interest bearing liabilities of the Group were hedged. The average hedged percentage for the financial year was 81% (2020: 79%).

Interest rate derivatives require settlement of net interest receivable or payable generally each 90 or 180 days. The settlement dates coincide with the dates on which the interest is payable on the underlying debt. The receivable and payable legs on interest rate derivative contracts are settled on a net basis. The net notional amount of average fixed rate debt and interest rate derivatives in place in each year and the weighted average effective hedge rate is set out below:

	June 2022 $m	June 2023 $m	June 2024 $m	June 2025 $m	June 2026 $m
A$ fixed rate debt	2,042.5	1,848.3	1,653.3	1,370.0	1,246.7
A$ interest rate derivatives[1]	1,487.5	1,458.3	1,914.6	1,650.0	235.4
Combined fixed rate debt and derivatives (A$ equivalent)	3,530.0	3,306.6	3,567.9	3,020.0	1,482.1
Hedge rate (%)	1.53%	1.51%	1.54%	1.57%	1.80%

1 Amounts do not include fixed rate debt that has been swapped to floating rate debt through cross-currency swaps.

Sensitivity analysis on interest expense

The table below shows the impact on the Group's net interest expense of a 50 basis point movement in market interest rates. The sensitivity on cash flow arises due to the impact that a change in interest rates will have on the Group's floating rate debt and derivative cash flows on average during the financial year. Net interest expense is only sensitive to movements in market rates to the extent that floating rate debt is not hedged.

	2021 (+/-) $m	2020 (+/-) $m
+/- 0.50% (50 basis points)	7.8	8.0
Total A$ equivalent	7.8	8.0

The movement in interest expense is proportional to the movement in interest rates.

Note 13 Capital and financial risk management (continued)

b. Financial risk management (continued)

i. Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis on fair value of interest rate derivatives

The sensitivity analysis on interest rate derivatives below shows the effect on net profit or loss of changes in the fair value of interest rate derivatives for a 50 basis point movement in short-term and long-term market interest rates. The sensitivity on fair value arises from the impact that changes in market rates will have on the valuation of the interest rate derivatives.

The fair value of interest rate derivatives is calculated as the present value of estimated future cash flows on the instruments. Although interest rate derivatives are transacted for the purpose of providing the Group with an economic hedge, the Group has elected not to apply hedge accounting to these instruments. Accordingly, gains or losses arising from changes in the fair value are reflected in the profit or loss.

	2021 (+/-) $m	2020 (+/-) $m
+/- 0.50% (50 basis points)	28.0	22.8
Total A$ equivalent	28.0	22.8

Sensitivity analysis on fair value of cross-currency swaps

The sensitivity analysis on cross-currency interest rate swaps below shows the effect on net profit or loss for changes in the fair value for a 50 basis point increase and decrease in market rates. The sensitivity on fair value arises from the impact that changes in short-term and long-term market rates will have on the valuation of the cross-currency swaps. The sensitivity analysis excludes the impact of hedge accounted cross-currency swaps.

		2021 (+/-) $m	2020 (+/-) $m
+/- 0.50% (50 basis points)	US$ (A$ equivalent)	0.9	2.5
Total A$ equivalent		0.9	2.5

Foreign currency risk

Foreign currency risk refers to the risk that the value or the cash flows arising from a financial commitment, or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group's foreign currency risk arises primarily from borrowings denominated in foreign currency.

The objective of the Group's foreign exchange risk management policy is to ensure that movements in exchange rates have minimal adverse impact on the Group's foreign currency assets and liabilities. Refer to note 15 for the US$ foreign currency exposures and management thereof via cross-currency interest rate swaps.

Foreign currency assets and liabilities

Where foreign currency borrowings are used to fund Australian investments, the Group transacts cross-currency swaps to reduce the risk that movements in foreign exchange rates will have an impact on security holder equity and net tangible assets.

Note 13 Capital and financial risk management (continued)

b. Financial risk management (continued)

ii. Liquidity risk

Liquidity risk is associated with ensuring that there are sufficient funds available to meet the Group's financial commitments as and when they fall due and planning for any unforeseen events which may curtail cash flows. The Group identifies and manages liquidity risk across the following categories:

- short-term liquidity management covering the month ahead on a rolling basis with continuous monitoring of forecast and actual cash flows;
- medium-term liquidity management of liquid assets, working capital and standby facilities to cover Group cash requirements over the next 1-24 month period. The Group maintains a level of committed borrowing facilities above the forecast committed debt requirements (liquidity headroom buffer). Committed debt includes future expenditure that has been approved by the Board or Investment Committee (as required within delegated limits); and
- long-term liquidity management through ensuring an adequate spread of maturities of borrowing facilities so that refinancing risk is not concentrated in certain time periods and ensuring an adequate diversification of funding sources where possible, subject to market conditions.

Refinancing risk

Refinancing risk is the risk that the Group:

- will be unable to refinance its debt facilities as they mature; and/or
- will only be able to refinance its debt facilities at unfavourable interest rates and credit market conditions (margin price risk).

The Group's key risk management strategy for margin price risk on refinancing is to spread the maturities of debt facilities over different time periods to reduce the volume of facilities to be refinanced and the exposure to market conditions in any one period. An analysis of the contractual maturities of the Group's interest-bearing liabilities and derivative financial instruments is shown in the table below. The amounts in the table represent undiscounted cash flows.

	2021				2020			
	Within one year $m	Between one and two years $m	Between two and five years $m	After five years $m	Within one year $m	Between one and two years $m	Between two and five years $m	After five years $m
Payables	(173.8)	–	–	–	(179.8)	–	–	–
Lease liabilities	(3.5)	(3.7)	(9.0)	(6.4)	(4.8)	(4.2)	(9.8)	(9.2)
Total payables and lease liabilities	(177.3)	(3.7)	(9.0)	(6.4)	(184.6)	(4.2)	(9.8)	(9.2)
Interest bearing liabilities & interest								
Fixed interest rate liabilities	(183.6)	(389.3)	(1,551.6)	(2,492.1)	(522.5)	(191.6)	(633.4)	(4,104.5)
Floating interest rate liabilities	(31.7)	(344.9)	(967.1)	(149.3)	(20.9)	(112.9)	(436.9)	(120.3)
Total interest bearing liabilities & interest[1]	(215.3)	(734.2)	(2,518.7)	(2,641.4)	(543.4)	(304.5)	(1,070.3)	(4,224.8)
Derivative financial liabilities								
Cash receipts	74.1	74.8	640.2	1,218.8	470.8	86.3	930.0	1,188.3
Cash payments	(52.0)	(52.9)	(505.9)	(1,143.0)	(374.0)	(54.7)	(699.4)	(962.7)
Total net derivative financial instruments[2]	22.1	21.9	134.3	75.8	96.8	31.6	230.6	225.6

1 Refer to note 15. Excludes deferred borrowing costs but includes estimated fees and interest.

2 The notional maturities on derivatives are shown for cross-currency interest rate swaps (refer to interest rate risk) as they are the only instruments where a principal amount is exchanged. For interest rate derivatives, only the net interest cash flows (not the notional principal) are included. Refer to note 13(c) for fair value of derivatives. Refer to note 16(b) for financial guarantees.

Note 13 Capital and financial risk management (continued)

b. Financial risk management (continued)

iii. Credit risk

Credit risk is the risk that the counterparty will not fulfil its obligations under the terms of a financial instrument and will cause financial loss to the Group. The Group has exposure to credit risk on all financial assets included in the Group's Consolidated Statement of Financial Position.

The Group manages this risk by:

- adopting a process for determining an approved counterparty, with consideration of qualitative factors as well as the counterparty's credit rating;
- regularly monitoring counterparty exposure within approved credit limits that are based on the lower of an S&P and Moody's credit rating. The exposure includes the current market value of in-the-money contracts and the potential exposure, which is measured with reference to credit conversion factors as per APRA guidelines;
- entering into International Swaps and Derivatives Association (ISDA) Master Agreements once a financial institution counterparty is approved;
- for some trade receivables, obtaining collateral where necessary in the form of bank guarantees and tenant bonds; and
- regularly monitoring loans and receivables on an ongoing basis.

A minimum S&P rating of A– (or Moody's equivalent) is required to become or remain an approved counterparty unless otherwise approved by the Dexus Board.

The Group is exposed to credit risk on cash balances and on derivative financial instruments with financial institutions. The Group has a policy that sets limits as to the amount of credit exposure to each financial institution. New derivatives and cash transactions are limited to financial institutions that meet minimum credit rating criteria in accordance with the Group's policy requirements.

Financial instrument transactions are spread among a number of approved financial institutions within specified credit limits to minimise the Group's exposure to any one counterparty. As a result, there is no significant concentration of credit risk for financial instruments. The maximum exposure to credit risk at 30 June 2021 is the carrying amounts of financial assets recognised on the Consolidated Statement of Financial Position.

The Group is exposed to credit risk on trade receivable balances. The Group has a policy to continuously assess and monitor the credit quality of trade debtors on an ongoing basis. Given the historical profile and exposure of the trade receivables, it has been determined that no significant concentrations of credit risk exists for receivables balances. The maximum exposure to credit risk at 30 June 2021 is the carrying amounts of the trade receivables recognised on the Consolidated Statement of Financial Position.

iv. Fair value

The Group uses the following methods in the determination and disclosure of the fair value of financial instruments:

Level 1: The fair value is calculated using quoted prices in active markets.

Level 2: The fair value is determined using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable data.

All derivative financial instruments were measured at Level 2 for the periods presented in this report. During the year, there were no transfers between Level 1, 2 and 3 fair value measurements.

Note 13 Capital and financial risk management (continued)

b. Financial risk management (continued)

iv. Fair value (continued)

Since cash, receivables and payables are short-term in nature, their fair values are not materially different from their carrying amounts. For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Material differences are identified only for the following borrowings:

Type	Maturity	2021 Carrying Amount ($m)	2021 Fair Value ($m)	2020 Carrying Amount ($m)	2020 Fair Value ($m)
USD borrowing	2021	–	–	364.3	373.7
USD borrowing	2024	59.9	65.0	65.6	70.9
USD borrowing	2025	146.3	162.6	160.3	178.6
USD borrowing	2026	212.8	232.7	233.1	253.9
USD borrowing	2027	412.3	466.5	451.7	520.5
USD borrowing	2029	166.3	184.9	182.1	208.8
USD borrowing	2030	279.3	306.4	306.0	354.9
USD borrowing	2033	232.8	254.0	255.0	304.4
MTN	2023	161.3	167.6	162.2	169.2
MTN	2026	186.8	209.8	187.1	207.1
MTN	2027	129.0	147.1	128.9	144.4
MTN	2030	198.2	202.7	198.0	192.8
MTN	2032	500.0	512.9	500.0	496.4
MTN	2039	30.0	36.0	30.0	35.0
AUD USPP	2028	100.0	113.4	100.0	113.4
AUD USPP	2030	50.0	56.6	50.0	56.6
AUD USPP	2033	100.0	117.4	100.0	117.4
AUD USPP	2039	75.0	89.7	75.0	89.7
Fixed bank debt	2022	150.0	155.2	150.0	155.2
Exchangeable note	2026	403.1	425.0	399.1	425.0

Key assumptions: fair value of derivatives and interest bearing liabilities

The fair value of derivatives and interest bearing liabilities has been determined based on observable market inputs (interest rates, exchange rates and currency basis) and applying a credit or debit value adjustment based on the current credit worthiness of counterparties and the Group.

v. Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position where there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. No financial assets and liabilities are currently held under netting arrangements.

Master Netting arrangements – not currently enforceable

Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of these arrangements, where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the Consolidated Statement of Financial Position.

Note 13 Capital and financial risk management (continued)

c. Derivative financial instruments

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to an underlying benchmark, such as interest rates, exchange rates, or asset values, and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure.

Written policies and limits are approved by the Board of Directors of the Responsible Entity, in relation to the use of financial instruments to manage financial risks. The Responsible Entity regularly reviews the Group's exposures and updates its treasury policies and procedures. The Group does not trade in interest rate or foreign exchange related derivative instruments for speculative purposes.

The Group uses derivative contracts as part of its financial and business strategy. Derivative contracts may cover interest rate, foreign currency and equity market movements but also include option contracts embedded in the Group's exchangeable note borrowings (see note 15(e)).

1. Interest rate derivative contracts – the Group uses interest rate derivative contracts to manage the risk of movements in variable interest rates on the Group's Australian dollar denominated borrowings;
2. Cross-currency swap contracts – the Group uses cross-currency swap contracts to manage the risk of movements in interest rates and fair values of foreign currencies associated with its foreign denominated borrowings; and
3. Other derivative contracts – other derivative contracts include embedded option contracts within the Group's exchangeable note borrowings (see note 15(e)) as well as equity linked derivatives that are used from time to time and expose the Group to movements in the fair value of listed equities included within the Australian REIT index as part of its strategy of investing in Australian property assets.

Derivatives are measured at fair value with any changes in fair value recognised either in the Statement of Comprehensive Income, or directly in equity where hedge accounted.

At inception the Group can elect to formally designate and document the relationship between certain hedge derivative instruments and the associated hedged items, along with its risk management objectives and its strategy for undertaking various hedge transactions.

The only derivatives designated by the Group in hedge relationships are cross-currency interest rate swap contracts used to hedge foreign denominated borrowings.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the financial instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. The hedging relationship is deemed effective when all of the following requirements are met:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the changes in value that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group uses cross-currency interest rate swap contracts to hedge interest rate risk and foreign exchange risk associated with foreign denominated borrowings issued by the Group. The Group designates the cross-currency interest rate swap contracts as:

- fair value hedges against changing interest rates on foreign denominated borrowings;
- cash flow hedges or fair value hedges against foreign currency exposure on foreign denominated borrowings.

The foreign currency basis spread of a cross-currency interest rate swap is excluded from the designation of that financial instrument as the hedging instrument. Changes in the fair value of the foreign currency basis spread of a financial instrument are accumulated in the foreign currency basis spread reserve and are amortised to profit or loss on a rational basis over the term of the hedging relationship.

As the critical terms of the cross-currency interest rate swap contracts and their corresponding hedged items match, the Group performs a qualitative assessment of effectiveness. The main source of hedge ineffectiveness in these hedge relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the cross-currency interest rate swap contracts, which is not reflected in the fair value of the hedged item attributable to the change in interest rates. No other sources of ineffectiveness emerged from these hedging relationships.

The Group has applied the hedge ratio of 1:1 to all hedge relationships.

Note 13 Capital and financial risk management (continued)

c. Derivative financial instruments (continued)

Fair value hedge – cross-currency swap contracts

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is attributable to a particular risk and could affect the Consolidated Statement of Comprehensive Income. Changes in the fair value of cross-currency swap contracts that are designated as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the interest rates on foreign denominated borrowings, and fair value of the foreign denominated borrowings themselves.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk to a highly probable forecast transaction pertaining to an asset or liability. The effective portion of changes in the fair value of cross-currency swap contracts that are designated as cash flow hedges is recognised in other comprehensive income in equity via the cash flow hedge reserve. Amounts accumulated in equity are reclassified to profit or loss in the periods when the payments associated with the underlying foreign denominated borrowings affect profit or loss. Any gain or loss related to ineffectiveness is recognised in profit or loss immediately.

Hedge accounting is discontinued when each cross-currency swap contract expires, is terminated, is no longer in an effective hedge relationship, is de-designated, or the forecast underlying payments are no longer expected to occur. The fair value gain or loss of derivatives recorded in equity is recognised in profit or loss over the period that the forecast payments are recorded in profit or loss. If the forecast payments are no longer expected to occur, the cumulative gain or loss in equity is recognised in profit or loss immediately.

	2021 $m	2020 $m
Current assets		
Cross-currency swap contracts	13.8	91.9
Total current assets – derivative financial instruments	13.8	91.9
Non-current assets		
Cross-currency swap contracts	333.3	604.3
Total non-current assets – derivative financial instruments	333.3	604.3
Current liabilities		
Interest rate derivative contracts	4.4	13.4
Cross-currency swap contracts	2.8	–
Total current liabilities – derivative financial instruments	7.2	13.4
Non-current liabilities		
Interest rate derivative contracts	17.2	34.3
Cross-currency swap contracts	0.3	7.0
Other derivative contracts	25.4	13.5
Total non-current liabilities – derivative financial instruments	42.9	54.8
Net derivative financial instruments	297.0	628.0

The table below details a breakdown of the net fair value gain on derivatives in the Consolidated Statement of Comprehensive Income.

	2021 $m	2020 $m
Net fair value gain/(loss) of derivatives		
Cross-currency swap contracts	(120.1)	153.0
Interest rate swap contracts	29.6	(24.6)
Exchangeable note contracts	(11.9)	0.9
Other derivative contracts	–	(126.3)
Total net fair value gain/(loss) of derivatives	(102.4)	3.0

Note 13 Capital and financial risk management (continued)

c. Derivative financial instruments (continued)

Effects of hedge accounting on the financial position and performance – Quantitative information

The following table details the notional principal amounts and remaining terms of the hedging instrument (cross-currency interest rate swap) at the end of the financial year:

	Notional Amount of the Hedging Instrument ($m)			
	Under 1 year	1–2 years	2–5 years	Over 5 years
Foreign exchange risk and interest rate risk – Cross currency interest rate swap (hedging foreign currency debt)[1]				
Average contracted FX rate (AUD/USD)	0.8699	0.8699	0.8598	0.7960
Average contracted fixed USD rate	2.4922	2.4922	2.4905	2.3763
Average notional amount	1,304.7	1,304.7	1,153.3	405.3
Interest rate risk – Cross currency interest rate swap (hedging foreign currency debt)[1]				
Average contracted fixed USD rate	1.3906	1.3906	1.3809	1.3902
Average notional amount	1,304.7	1,304.7	1,153.3	405.3

1 Cross-currency interest rate swaps totalling $1,135.0 million (notional) have been split into cash flow hedge and fair value hedge relationships.

The following tables detail information regarding the cross-currency interest rate swaps designated in cash flow hedge or fair value hedge relationships at the end of the reporting period and their related hedged items.

	Cash flow hedges	Fair value hedges
	Cross currency interest rate swaps $m	Cross currency interest rate swaps $m
Current notional principal value of the hedging instrument	1,304.7	1,304.7
Carrying amount of the hedging instrument assets/(liabilities)[1]	7.7	315.6
Cumulative change in fair value of the hedging instrument used for calculating hedge ineffectiveness	7.7	326.0
Current fair value notional amount of the hedged item	(22.2)	(328.1)
Cumulative change in value of the hedged item used for calculating hedge ineffectiveness	(22.2)	(328.1)
Balance in cash flow hedge reserve	(9.4)	n/a
Hedge ineffectiveness recognised in the Consolidated Statement of Comprehensive Income[2]	1.8	(10.8)

1 The carrying amount is included in the "Derivative financial instruments" line items in the Consolidated Statement of Financial Position.
2 Included in the "Net fair value loss of derivatives" line item in the Consolidated Statement of Comprehensive Income.

Note 13 Capital and financial risk management (continued)

c. Derivative financial instruments (continued)

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss.

Cash flow hedge reserve and foreign currency basis spread	Foreign exchange risk $m
Balance at 1 July 2020 (before tax)	15.2
Movement	
Gain/(loss) arising on changes in fair value of hedging instruments during the period	16.2
Changes in fair value of foreign currency basis spread during the period	(6.5)
Transfer out	
(Gain)/loss reclassified to profit or loss – hedged item has affected profit or loss	(30.7)
(Gain)/loss arising on changes in fair value of foreign currency basis spread during the period	4.9
Balance at 30 June 2021 (before tax)	(0.9)

Note 14 Lease liabilities

The following table details information relating to leases where the Group is a lessee.

	Note	2021 $m	2020 $m
Current			
Lease liabilities – ground leases	(a)	0.8	0.9
Lease liabilities – other property leases	(b)	2.7	3.9
Total current liabilities - lease liabilities		3.5	4.8
Non-current			
Lease liabilities – ground leases	(a)	7.8	8.3
Lease liabilities – other property leases	(b)	12.7	11.2
Total non-current liabilities - lease liabilities		20.5	19.5
Total liabilities – lease liabilities		24.0	24.3

a. Lease liabilities – ground leases

Lease liabilities include ground leases at Parkade, 34-60 Little Collins Street, Melbourne and Waterfront Place, 1 Eagle Street, Brisbane. Refer to note 8 *Investment properties* where the corresponding leased asset is included in the total value of investment properties.

b. Lease liabilities – other property leases

Lease liabilities relating to property leases predominantly relate to Dexus offices and Dexus Place property leases. Refer to the *Consolidated Statement of Financial Position* for disclosure of the corresponding right-of-use asset.

Note 15 Interest bearing liabilities

Borrowings are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are capitalised to borrowings and amortised in profit or loss over the expected life of the borrowings.

If there is an effective fair value hedge of borrowings, a fair value adjustment will be applied based on the mark to market movement in the benchmark component of the borrowings. This movement is recognised in profit or loss. Refer note 13 *Capital and financial risk management* for further detail.

All borrowings with contractual maturities greater than 12 months after reporting date are classified as non-current liabilities.

	Note	2021 $m	2020 $m
Current			
Unsecured			
US senior notes[1]	(a)	–	364.3
Bank loans	(b)	50.0	–
Total unsecured		50.0	364.3
Total current liabilities - interest bearing liabilities		50.0	364.3
Non-current			
Unsecured			
US senior notes[1]	(a)	1,957.8	2,217.1
Bank loans	(b)	1,241.0	571.0
Commercial paper	(c)	100.0	100.0
Medium term notes	(d)	1,205.3	1,206.2
Exchangeable notes	(e)	403.1	399.1
Total unsecured		4,907.2	4,493.4
Deferred borrowing costs		(20.7)	(21.5)
Debt modifications		(11.8)	1.8
Total non-current liabilities - interest bearing liabilities		4,874.7	4,473.7
Total interest bearing liabilities		4,924.7	4,838.0

1 Includes cumulative fair value adjustments amounting to $123.1 million (2020: $238.3 million) in relation to effective fair value hedges.

Financing arrangements

The following table summarises the maturity profile of the Group's financing arrangements:

Type of facility	Notes	Currency	Security	Maturity Date	Utilised $m	Facility Limit $m
US Senior notes (USPP)[1]	(a)	US$	Unsecured	Jul 23 to Nov 32	1,509.7	1,509.7
US Senior notes (USPP)	(a)	A$	Unsecured	Jun 28 to Oct 38	325.0	325.0
Multi-option revolving credit facilities	(b)	Multi Currency	Unsecured	Jun 22 to May 28	1,291.0	2,375.0
Commercial paper	(c)	A$	Unsecured	Apr 24	100.0	100.0
Medium term notes	(d)	A$	Unsecured	Nov 22 to Aug 38	1,205.3	1,205.3
Exchangeable note	(e)	A$	Unsecured	Jun 26	403.1	403.1
Total					4,834.1	5,918.1
Bank guarantee in place					(58.1)	
Unused at balance date					1,025.9	

1 Includes drawn amounts and excludes fair value adjustments recorded in interest bearing liabilities in relation to effective fair value hedges.

Note 15 Interest bearing liabilities (continued)

Financing arrangements (continued)

Each of the Group's unsecured borrowing facilities are supported by guarantee arrangements and have negative pledge provisions which limit the amount and type of encumbrances that the Group can have over their assets and ensures that all senior unsecured debt ranks pari passu.

a) US senior notes (USPP)

This includes a total of US$1,135.0 million and A$325.0 million (A$1,834.7 million) of US senior notes with a weighted average maturity of February 2029. US$1,135.0 million is designated as an accounting hedge using cross-currency interest rate swaps with the same notional value.

b) Multi-option revolving credit facilities

This includes 21 facilities maturing between June 2022 and May 2028 with a weighted average maturity of June 2025. A$58.1 million is utilised as bank guarantees for AFSL requirements and other business requirements including developments.

c) Commercial paper

This includes a total of A$100.0 million of Commercial Paper which is supported by a standby facility of A$100.0 million with a maturity of April 2024. The standby facility has same day availability.

d) Medium term notes

This includes a total of A$1,205.0 million of Medium Term Notes with a weighted average maturity of February 2029. The remaining A$0.3 million is the net premium on the issue of these instruments.

e) Exchangeable notes

This includes Exchangeable Notes with a face value totalling $425.0 million. The notes are exchangeable based on the exchange price (currently $15.00 representing approximately 28.3 million securities) on the exchange date, at the election of the holder, until 19 March 2024. The holders have an option to put the notes to the issuer for face value 60 days prior but not later than 30 days after 19 March 2024. On expiration of the put option, the notes continue to be exchangeable until 10 days prior to maturity on 19 June 2026. Any securities issued on exchange will rank equally with existing securities. As at 30 June 2021, no notes have been exchanged.

Exchange price[1]	$15.00
Coupon (per annum)	2.30%
Notes on issue at 30 June 2021	4,250,000

1 The exchange price has been adjusted for any subsequent equity raises completed at greater than 5% discount to the five day VWAP prior to the raise. The price will also be adjusted in the event of any Dexus distributions which exceed quoted thresholds in the Exchangeable Note terms and conditions.

Note 16 Commitments and contingencies

a. Commitments

Capital commitments

The following amounts represent capital expenditure on investment properties and inventories as well as committed fitout or cash incentives contracted at the end of each reporting period but not recognised as liabilities payable:

	2021 $m	2020 $m
Investment properties	87.1	94.7
Inventories and development management services	0.7	62.9
Investments accounted for using the equity method	311.5	200.2
Total capital commitments	399.3	357.8

Lease receivable commitments

The future minimum lease payments receivable by the Group are:

	2021 $m	2020 $m
Within one year	467.0	515.9
Later than one year but not later than five years	1,398.5	1,487.5
Later than five years	592.9	745.0
Total lease receivable commitments	2,458.4	2,748.4

b. Contingencies

DDF, together with DIT, DOT and DXO, is a guarantor of A$5,918.1 million of interest-bearing liabilities (refer to note 15). The guarantees have been given in support of debt outstanding and drawn against these facilities and may be called upon in the event that a borrowing entity has not complied with certain requirements such as failure to pay interest or repay a borrowing, whichever is earlier. During the period no guarantees were called.

The Group has bank guarantees of $58.1 million, comprising $55.2 million held to comply with the terms of the Australian Financial Services Licences (AFSL) and $2.9 million largely in respect of developments.

The above guarantees are issued in respect of the Group and represent an additional liability to those already existing in interest bearing liabilities on the Consolidated Statement of Financial Position.

The Directors of the Responsible Entity are not aware of any other contingent liabilities in relation to the Group, other than those disclosed in the Consolidated Financial Statements, which should be brought to the attention of security holders as at the date of completion of this report.

Outgoings are excluded from contingencies as they are expensed when incurred.

Note 17 Contributed equity

Number of securities on issue

	2021 No. of securities	2020 No. of securities
Opening balance at the beginning of the year	1,091,202,163	1,096,857,665
Buy-back of contributed equity	(15,636,917)	(5,655,502)
Closing balance at the end of the year	1,075,565,246	1,091,202,163

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Group.

Each stapled security entitles the holder to vote in accordance with the provisions of the Constitutions and the *Corporations Act 2001*.

Transaction costs arising on the buy-back of equity instruments are recognised directly in equity (net of tax) as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the buy-back of those equity instruments and which would not have been incurred had those instruments not been bought back.

On 23 October 2019, Dexus announced plans to initiate an on-market securities buy-back of up to 5% of Dexus securities on issue over the next 12 months, as part of its active approach to capital management.

On 13 October 2020, Dexus announced an extension of the buy-back for a period of 12 months commencing on 23 October 2020.

During the 12 months to 30 June 2021, Dexus acquired and cancelled 15,636,917 securities representing 1.5% of Dexus securities on issue.

Note 18 Reserves

	2021 $m	2020 $m
Asset revaluation reserve	42.7	42.7
Cash flow hedge reserve	9.4	24.0
Foreign currency basis spread reserve	(10.3)	(8.8)
Security-based payments reserve	10.6	9.8
Treasury securities reserve	(15.8)	(17.1)
Total reserves	36.6	50.6
Movements:		
Asset revaluation reserve		
Opening balance at the beginning of the year	42.7	42.7
Closing balance at the end of the year	42.7	42.7
Cash flow hedge reserve		
Opening balance at the beginning of the year	24.0	17.8
Changes in the fair value of cash flow hedges	(14.5)	6.2
Closing balance at the end of the year	9.4	24.0
Foreign currency basis spread reserve		
Opening balance at the beginning of the year	(8.8)	(4.6)
Changes in cost of hedge reserve	(1.6)	(4.2)
Closing balance at the end of the year	(10.3)	(8.8)
Security-based payments reserve		
Opening balance at the beginning of the year	9.8	16.3
Issue of securities to employees	(8.5)	(12.3)
Security-based payments expense	9.3	5.8
Closing balance at the end of the year	10.6	9.8
Treasury securities reserve		
Opening balance at the beginning of the year	(17.1)	(18.5)
Issue of securities to employees	8.6	12.3
Purchase of securities	(7.3)	(10.9)
Closing balance at the end of the year	(15.8)	(17.1)

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record the fair value adjustment arising on a business combination.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated as cash flow hedges.

Foreign currency basis spread reserve

The foreign currency basis spread reserve is used to record the changes in the fair value of cross-currency derivatives attributable to movements in foreign currency basis spreads and represents a cost of hedging.

Security-based payments reserve

The security-based payments reserve is used to recognise the fair value of performance rights to be issued under the Deferred Short Term Incentive Plans (DSTI), Long Term Incentive Plans (LTI) and Senior Management Retention Awards. Refer to note 23 for further details.

Treasury securities reserve

The treasury securities reserve is used to record the acquisition of securities purchased to fulfil the obligations of the Deferred Short Term Incentive Plans (DSTI), Long Term Incentive Plans (LTI) and Senior Management Retention Awards. As at 30 June 2021, DXS held 1,574,324 stapled securities which includes acquisitions of 745,590 and unit vesting of 842,186 (2020: 1,670,920).

Note 19 Working capital

a. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

b. Receivables

Rental income and management fees are brought to account on an accrual basis. Dividends and distributions are recognised when declared and, if not received at the end of the reporting period, reflected in the Consolidated Statement of Financial Position as a receivable.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly.

A provision for expected credit losses is recognised for expected credit losses on trade and other receivables. The provision for expected credit losses is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

The calculation of expected credit losses relating to rent and other receivables requires significant judgement to assess the future uncertainty of tenants' ability to pay their debts. Expected credit losses have been estimated using a provision matrix that has been developed with reference to the Group's historical credit loss experience, general economic conditions and forecasts, assumptions around rent relief that may be provided to tenants and tenant risk factors such as size, industry exposure and the Group's understanding of the ability of tenants to pay their debts. Accordingly, expected credit losses include both the part of the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant.

In relation to distributions and fees receivables, an assessment has been performed taking into consideration the ability of the funds and mandates managed by the Group to cash settle their distributions and pay their fees outstanding.

For any provisions for expected credit losses, the corresponding expense has been recorded in the Consolidated Statement of Comprehensive Income within Property expenses.

	2021 $m	2020 $m
Rent receivable[1]	35.0	18.4
Less: provision for expected credit losses	(17.7)	(7.5)
Total rent receivables	17.3	10.9
Distributions receivable	49.0	38.7
Fees receivable	51.2	33.1
Receivables from related entities	–	40.5
Other receivables	3.5	9.0
Total other receivables	103.7	121.3
Total receivables	121.0	132.2

1 Rent receivable includes outgoings recoveries.

Note 19 Working capital (continued)

b. Receivables (continued)

The provision for expected credit losses for rent receivables (which includes outgoings recoveries) as at 30 June 2021 was determined as follows:

$m		Sector	
30 June 2021	Office	Industrial	Total
0–30 days[1]	7.0	1.7	8.7
31–60 days	0.7	–	0.7
61–90 days	0.8	0.1	0.9
91+ days	6.0	1.4	7.4
Total provision for expected credit losses	14.5	3.2	17.7

1. 0-30 days includes deferred rent receivable but not due.

The provision for expected credit losses for distributions receivable, fees receivable and other receivables that has been recorded is minimal.

The provision for expected credit losses for rent receivables as at the reporting date reconciles to the opening loss allowances as follows:

	Trade receivables	
	2021 $m	2020 $m
Opening provision for expected credit losses	(7.5)	(0.1)
Increase in provision recognised in profit or loss during the year	(10.2)	(7.4)
Closing provision for expected credit losses	(17.7)	(7.5)

c. Other current assets

	2021 $m	2020 $m
Prepayments	19.6	14.9
Other	8.7	13.4
Total other current assets	28.3	28.3

d. Payables

	2021 $m	2020 $m
Trade creditors	35.3	56.0
Accruals	21.6	8.8
Accrued capital expenditure	59.4	60.1
Prepaid income	19.6	19.0
Accrued interest	27.9	34.8
Other payables	10.0	1.1
Total payables	173.8	179.8

Note 19 Working capital (continued)

e. Provisions

A provision is recognised when a current obligation exists as a result of a past event and it is probable that a future outflow of cash or other benefit will be required to settle the obligation.

In accordance with the Trust's Constitution, the Group distributes its distributable income to security holders by cash or reinvestment. Distributions are provided for when they are approved by the Board of Directors and declared.

Provision for employee benefits relates to the liabilities for wages, salaries, annual leave and long service leave.

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months represent present obligations resulting from employees' services provided to the end of the reporting period. They are measured based on remuneration wage and salary rates that the Group expects to pay at the end of the reporting period including related on-costs, such as workers compensation, insurance and payroll tax.

The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows, to be made resulting from employees' services provided to the end of the reporting period.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the Australian Corporate Bond Index rates at the end of the reporting period that most closely matches the term of the maturity of the related liabilities. The provision for employee benefits also includes the employee incentives schemes which are shown separately in note 23.

	2021 $m	2020 $m
Current		
Provision for distribution	247.4	254.3
Provision for employee benefits	37.7	25.5
Provision for land tax	6.1	–
Total current provisions	291.2	279.8

	2021 $m	2020 $m
Non-current		
Provision for employee benefits	2.7	2.5
Total non-current provisions	2.7	2.5

Movements in material provisions during the financial year, are set out below:

	2021 $m	2020 $m
Provision for distribution		
Opening balance at the beginning of the year	254.3	252.3
Additional provisions	561.0	550.3
Payment of distributions	(567.9)	(548.3)
Closing balance at the end of the year	247.4	254.3

A provision for distribution has been raised for the period ended 30 June 2021. This distribution is to be paid on 30 August 2021.

Other disclosures

In this section

This section includes information that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the Corporations Regulations, but which are not considered critical in understanding the financial performance or position of the Group.

Notes 20 Intangible assets

Management rights represent the asset management rights owned by Dexus Holdings Pty Limited, a wholly owned subsidiary of DXO, which entitles it to management fee revenue from both finite life trusts and indefinite life trusts. Those rights that are deemed to have a finite useful life (held at a value of $0.4 million (2020: $0.5 million)) are measured at cost and amortised using the straight-line method over their estimated remaining useful lives of 8 years. Management rights that are deemed to have an indefinite life are held at a value of $300.5 million (2020: $286.0 million).

Costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets. Costs associated with configuration and customisation in a cloud computing arrangement are recognised as an expense when incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement. Refer to note 26 *Change in accounting policy* for further details in relation to the accounting policy adopted. Software is measured at cost and amortised using the straight-line method over its estimated useful life, expected to be three to five years.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill and management rights with an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised in the Consolidated Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

During the year, management carried out a review of the recoverable amount of its management rights, including an assessment of the impacts of COVID-19. The Directors and management have considered the key assumptions adopted and have not identified impairments of those carrying amounts.

The value in use has been determined using Board approved long-term forecasts in a five year discounted cash flow model and applying a terminal value in year five. Forecasts were based on projected returns of the business in light of current market conditions.

Key assumptions: value in use of management rights

Judgement is required in determining the following key assumptions used to calculate the value in use:

- Terminal capitalisation rate range of between 8.3%–20.0% (2020: 10.0%–20.0%) was used incorporating an appropriate risk premium for a management business. A terminal capitalisation rate of 8.3% (2020: 10.0%) has been applied to the majority of the management rights.
- Cash flows have been discounted at a pre-tax rate of 10.5% (2020: 12.0%) based on externally published weighted average cost of capital for an appropriate peer group plus an appropriate premium for risk. A 1.0% (2020 1.0%) decrease in the discount rate would increase the valuation by $30.8 million (2020: $29.6 million).
- An average growth rate of 3.0% (2020: 3.0%) has been applied to forecast cashflows.

Note 20 Intangible assets (continued)

	2021 $m	2020 Restated[1] $m
Management rights		
Opening balance at the beginning of the year	286.5	289.4
Additions[2]	14.5	–
Impairment of management rights	–	(2.6)
Amortisation charge	(0.1)	(0.3)
Closing balance at the end of the year	300.9	286.5
Cost	308.9	294.4
Accumulated amortisation	(5.4)	(5.3)
Accumulated impairment	(2.6)	(2.6)
Total management rights	300.9	286.5
Goodwill		
Opening balance at the beginning of the year	0.9	1.0
Additions	–	2.9
Impairment	–	(3.0)
Closing balance at the end of the year	0.9	0.9
Cost	5.9	5.9
Accumulated impairment	(5.0)	(5.0)
Total goodwill	0.9	0.9
Software[1]		
Opening balance at the beginning of the year	4.4	4.8
Additions	1.2	1.1
Amortisation charge	(2.0)	(1.5)
Closing balance at the end of the year	3.6	4.4
Cost	17.6	16.5
Accumulated amortisation	(14.0)	(12.1)
Cost - Fully amortised assets written off	(10.0)	(7.5)
Accumulated amortisation - Fully amortised assets written off	10.0	7.5
Total software	3.6	4.4
Total non-current intangible assets	305.4	291.8

1 Restatement to 2020 required to comply with recently issued guidance from the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 26 for further details.

2 During the year, Dexus incurred costs in connection with Dexus Wholesale Property Limited, a Dexus entity, being appointed as Responsible Entity of Dexus ADPF.

Note 21 Audit, taxation and transaction service fees

During the year, the Auditor and its related practices earned the following remuneration:

	2021 $'000	2020 $'000
Audit and review services		
Auditors of the group - PwC		
Financial statement audit and review services	1,612	1,535
Audit and review fees paid to PwC	1,612	1,535
Assurance services		
Auditors of the group - PwC		
Outgoings audits	124	127
Regulatory audit and compliance assurance services	118	261
Sustainability assurance services	140	104
Other assurance services	518	35
Assurance fees paid to PwC	900	527
Total audit, review and assurance fees paid to PwC	2,512	2,062
Other services		
Auditors of the group - PwC		
Transaction services fees	712	97
Other services fees paid to PwC	712	97
Total audit, review, assurance and other services fees paid to PwC	3,224	2,159

Note 22 Cash flow information

a) Reconciliation of cash flows from operating activities

Reconciliation of net profit after income tax to net cash inflows from operating activities:

	2021 $m	2020 Restated[1] $m
Net profit/(loss) for the year	1,138.4	972.7
Capitalised interest	(1.8)	(9.5)
Depreciation and amortisation	9.1	9.9
Amortisation of incentives and straight line income	85.0	69.9
Impairment of intangibles	–	5.6
Impairment of investments accounted for using the equity method	–	12.2
Loss on other assets at fair value	–	2.7
Net fair value (gain)/loss of investment properties	(273.7)	(386.5)
Share of net (profit)/loss of investments accounted for using the equity method	(565.6)	(494.7)
Net fair value (gain)/loss of derivatives	120.1	(3.0)
Net fair value (gain)/loss of interest rate swaps	(17.7)	5.7
Amortisation of deferred borrowing costs	3.8	3.7
Net (gain)/loss on sale of investment properties	(0.3)	0.4
Net fair value (gain)/loss of interest bearing liabilities	(115.2)	168.3
Net foreign exchange (gain)/loss	0.1	(0.1)
Distributions from investments accounted for using the equity method	478.1	312.2
Change in operating assets and liabilities		
(Increase)/decrease in receivables	11.2	15.7
(Increase)/decrease in prepaid expenses	(4.7)	0.5
(Increase)/decrease in inventories	157.6	121.9
(Increase)/decrease in other current assets	72.3	(59.3)
(Increase)/decrease in other non-current assets	(61.4)	(8.7)
Increase/(decrease) in payables	(6.0)	(20.7)
Increase/(decrease) in current tax receivables	(18.6)	(24.1)
Increase/(decrease) in current liabilities	25.1	(10.7)
Increase/(decrease) in other non-current liabilities	(36.9)	18.7
Increase/(decrease) in deferred tax liabilities	0.4	11.3
Net cash inflow/(outflow) from operating activities	999.3	714.1

1 Restatement to 2020 required to comply with recently issued guidance from the International Financial Reporting Interpretations Committee (IFRIC) regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". Refer to note 26 for further details.

b) Net debt reconciliation

Reconciliation of net debt movements:	2021 Interest bearing liabilities $m	2020 Interest bearing liabilities $m
Opening balance	4,838.0	4,066.6
Changes from financing cash flows		
Proceeds from borrowings	8,405.0	5,244.8
Repayment of borrowings	(7,983.3)	(4,686.1)
Non cash changes		
Movement in deferred borrowing costs and other	(13.0)	0.8
The effect of changes in foreign exchange rates	(144.1)	43.6
Fair value hedge adjustment	(177.9)	168.3
Closing balance	4,924.7	4,838.0

Note 23 Security-based payments

The DXFM Board has approved a grant of performance rights to DXS stapled securities to eligible participants. Awards, via the Deferred Short Term Incentive Plans (DSTI), Long Term Incentive Plans (LTI) and Senior Management Retention Awards will be in the form of performance rights awarded to eligible participants which convert to DXS stapled securities for nil consideration subject to satisfying specific service and performance conditions.

For each Plan, the eligible participants will be granted performance rights, based on performance against agreed key performance indicators, as a percentage of their remuneration mix. Participants must remain in employment for the vesting period in order for the performance rights to vest. Non-market vesting conditions, including Adjusted Funds from Operations (AFFO), Return on Contributed Equity (ROCE), successful delivery of key strategic initiatives identified by the Board and employment status at vesting, are included in assumptions about the number of performance rights that are expected to vest. When performance rights vest, the Group will arrange for the allocation and delivery of the appropriate number of securities to the participant.

The fair value of performance rights granted is recognised as an employee benefit expense with a corresponding increase in the security-based payments reserve in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights granted.

Key assumptions: fair value of performance rights granted

Judgement is required in determining the fair value of performance rights granted. In accordance with AASB 2 *Share-based Payment,* fair value is determined independently using Binomial and Monte Carlo pricing models with reference to:

- the expected life of the rights
- the security price at grant date
- the expected price volatility of the underlying security
- the expected distribution yield
- the risk free interest rate for the term of the rights and expected total security-holder returns (where applicable)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of performance rights that are expected to vest based on the non-market vesting conditions. The impact of the revised estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

a. Deferred Short Term Incentive Plan

25% of any award under the Short Term Incentive Plan (STI) for certain participants will be deferred and awarded in the form of performance rights to DXS securities.

50% of the performance rights awards will vest one year after grant and 50% of the awards will vest two years after grant, subject to participants satisfying employment service conditions. In accordance with AASB 2 *Share-based Payment,* the year of employment in which participants become eligible for the DSTI, the year preceding the grant, is included in the vesting period over which the fair value of the performance rights is amortised. Consequently, 50% of the fair value of the performance rights is amortised over two years and 50% of the award is amortised over three years.

The number of performance rights granted in respect of the year ended 30 June 2021 was 423,514 (2020: 239,769) and the fair value of these performance rights is $10.65 (2020: $13.10) per performance right. The total security-based payments expense recognised during the year ended 30 June 2021 was $1,794,299 (2020: $2,523,561).

b. Long Term Incentive Plan

50% of the awards will vest three years after grant and 50% of the awards will vest four years after grant, subject to participants satisfying employment service conditions and performance hurdles. In accordance with AASB 2 *Share-based Payment*, the year of employment in which participants become eligible for the LTI, the year preceding the grant, is included in the vesting period over which the fair value of the performance rights is amortised. Consequently, 50% of the fair value of the performance rights is amortised over four years and 50% of the award is amortised over five years.

The number of performance rights granted in respect of the year ended 30 June 2021 was 580,350 (2020: 443,657) and the fair value of these performance rights is $6.53 (2020: $11.39) per performance right. The total security-based payments expense recognised during the year ended 30 June 2021 was $5,651,985 (2020: $2,229,150).

Note 23 Security-based payments (continued)

c. Senior Management Retention Awards

CEO Incentive Award

A once-off CEO incentive award was granted to the CEO on 1 June 2020. The award will vest three years after the grant date, subject to the participant satisfying employment service conditions, governance and behavioural standards and performance hurdles. Consequently, the fair value of the performance rights is amortised over three years from the grant date.

The number of performance rights granted in respect of the year ended 30 June 2021 was 356,335 (2020: nil). The grant date fair value of these performance rights is $8.93 (2020: $nil) per performance right. The total security-based payments expense related to this award recognised during the year ended 30 June 2021 was $89,989 (2020: $nil).

Retention Equity Award

The retention equity award is a once-off award to certain Key Management Personnel which was granted in December 2020. 50% of the once-off retention equity rights will vest three years after the grant date and 50% of the rights will vest four years after the grant date, subject to participants satisfying employment service conditions and governance and behavioural standards. Consequently, 50% of the fair value of the equity rights is amortised over three years and 50% of the rights is amortised over four years from the grant date.

The number of equity rights granted in respect of the year ended 30 June 2021 was 306,960 (2020: nil). The fair value of these equity rights is $8.20 (2020: $nil) per equity right. The total security-based payments expense related to this award recognised during the year ended 30 June 2021 was $444,931 (2020: $nil).

Note 24 Related parties

Responsible Entity and Investment Manager

DXH is the parent entity of DXFM, the Responsible Entity of DDF, DIT, DOT and DXO and the Trustee of Dexus Office Trust Australia (DOTA) and the investment manager of DOTA and Dexus Industrial Trust Australia (DITA).

DXH is also the parent entity of DWPL, the Responsible Entities of DWPF and Dexus ADPF, DWFL, the Responsible Entity of DHPF and DWML, the Trustee of Dexus Australian Commercial Trust (DACT).

Management Fees

Under the terms of the Constitutions of the entities within the Group, the Responsible Entity and Investment Manager are entitled to receive fees in relation to the management of the Group. DXFM's parent entity, DXH, is entitled to be reimbursed for administration expenses incurred on behalf of the Group. Dexus Property Services Pty Limited (DXPS), a wholly owned subsidiary of DXH, is entitled to property management fees from the Group.

The Group received Responsible Entity and other management fees from the unlisted property funds managed by

DXS during the financial year.

Related party transactions

Transactions between the consolidated entity and related parties were made on commercial terms and conditions. All agreements with third party funds and joint ventures are conducted on normal commercial terms and conditions.

Transactions with related parties

	2021 $'000	2020 $'000
Responsible entity (investment management fees)	71,357.3	64,415.5
Property management fee income	41,228.2	38,929.6
Development services revenue (DS), Development management (DM), Project Delivery Group (PDG), capital expenditure and leasing fee income	108,848.9	145,896.9
Rent paid	5,052.2	5,298.0
Responsible entity fees receivable at the end of each reporting year (included above)	19,782.5	17,042.0
Property management fees receivable at the end of each reporting year (included above)	3,854.8	3,287.0
DS, DM, PDG, capital expenditure and leasing fees receivable at the end of each reporting year (included above)	12,123.4	44,629.5
Loans to related parties[1]	30,650.4	–

1 Represents the Dexus share of a subordinated convertible loan which has been provided to the SAHMRI 2 Trust, a wholly owned subsidiary of SAHMRI 2 Holding Trust. This loan accrues interest at 5.5% per annum and matures on the date the development reaches practical completion. Under the subordination terms, repayment of this loan may only occur once the external construction loan has been repaid. The loan may be settled in cash or converted into equity at the election of the holders.

Note 24 Related parties (continued)

Key management personnel compensation

	2021 $'000	2020 $'000
Compensation		
Short-term employee benefits	10,604.8	8,278.8
Post employment benefits	275.7	384.5
Security-based payments	4,582.6	3,675.5
Total key management personnel compensation	15,463.1	12,338.8

Information regarding individual Directors' and Senior Executives' remuneration is provided in the Remuneration Report on pages 78 to 105 of the Annual Report.

There have been no other transactions with key management personnel during the year.

Note 25 Parent entity disclosures

The financial information for the parent entity of Dexus Diversified Trust has been prepared on the same basis as the Consolidated Financial Statements except as set out below.

Distributions received from associates are recognised in the parent entity's Statement of Comprehensive Income, rather than being deducted from the carrying amount of these investments.

Interests held by the parent entity in controlled entities are measured at fair value through profit and loss to reduce a measurement or recognition inconsistency.

a. Summary financial information

The individual Financial Statements for the parent entity show the following aggregate amounts:

	2021 $m	2020 $m
Total current assets	60.6	112.3
Total assets	5,926.6	6,141.6
Total current liabilities	163.8	469.0
Total liabilities	2,122.1	2,693.2
Equity		
Contributed equity	2,341.4	2,381.4
Reserves	(0.8)	15.2
Retained profits	1,463.9	1,051.8
Total equity	3,804.5	3,448.4
Net profit/(loss) for the year	525.0	284.6
Total comprehensive income/(loss) for the year	509.0	286.6

b. Guarantees entered into by the parent entity

Refer to note 16 for details of guarantees entered into by the parent entity.

c. Contingent liabilities

Refer to note 16 for details of the parent entity's contingent liabilities.

d. Capital commitments

The following amounts represent capital expenditure of the parent entity on investment properties contracted at the end of the reporting period but not recognised as liabilities payable:

	2021 $m	2020 $m
Investment properties	14.7	7.4
Total capital commitments	14.7	7.4

Note 25 Parent entity disclosures (continued)

e. Going concern

The parent entity is a going concern. The Group has unutilised facilities of $1,025.9 million (2020: $1,573.4 million) (refer to note 15) and sufficient working capital and cash flows in order to fund all requirements arising from the net current asset deficiency of the parent entity as at 30 June 2021 of $51.7 million (2020: $356.7 million). The deficiency is largely driven by the provision for distribution due to be paid on 30 August 2021.

Note 26 Change in accounting policy

Configuration or Customisation Costs in a Cloud Computing Arrangement (AASB 138 *Intangible Assets)*

On 27 April 2021, the International Financial Reporting Interpretations Committee (IFRIC) issued an addendum regarding the treatment of "Configuration or Customisation Costs in a Cloud Computing Arrangement". The addendum clarified how a customer should account for the cost of configuring or customising a supplier's software when it is a "Software as a Service" (SaaS) product.

The IFRIC concluded that configuration or customisation costs incurred by a customer in relation to application software which the customer has access to but does not own, should be expensed through profit or loss as these costs do not create a resource controlled by the customer which is separate from the software unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

As a consequence, the Group has retrospectively changed its accounting policy in respect of SaaS arrangements previously recorded as intangible assets, on the basis that these do not meet the recognition criteria in AASB 138 *Intangible Assets*.

The following table summarises the impact of this change in accounting policy on the Consolidated Financial Statements.

Increase/(decrease) of previously recorded balances	2021 Cumulative $m	2020 Cumulative $m	1 July 2019 $m
Consolidated Statement of Financial Position			
Intangible assets	(52.8)	(41.6)	(26.9)
Deferred tax liabilities	(15.8)	(12.5)	(8.1)
Net profit/Retained earnings	(36.9)	(29.1)	(18.8)

Increase/(decrease) of previously recorded balances	2021 $m	2020 $m
Consolidated Statement of Comprehensive Income		
Management operations, corporate and administration expenses	11.2	14.7
Profit before tax	(11.2)	(14.7)
Tax expense	(3.4)	(4.4)
Net profit	(7.8)	(10.3)
Earnings per share - basic	(0.72)	(0.94)
Earnings per share - diluted	(0.70)	(0.92)

Increase/(decrease) of previously recorded balances	2021 $m	2020 $m
Consolidated Statement of Cash Flows		
Cash flows from operating activities		
Payments in the course of operations (inclusive of GST)	11.2	18.0
Cash flows from investing activities		
Payments for intangibles	(11.2)	(18.0)

Other disclosures (continued)

Note 27 Subsequent events

On 6 July 2021, Dexus implemented the Simplification from a quadruple stapled trust structure (comprised of DDF, DIT, DOT and DXO) to a dual stapled trust structure. This was achieved by "top-hatting" three of the existing trusts (DDF, DIT and DOT) with a newly established trust, Dexus Property Trust (DPT). Effective from this date, the Simplified Group now comprises a unit in each of DXO and DPT, with DXFM appointed as the Responsible Entity of DPT.

On 8 July 2021, Mercatus Dexus Australia Partnership (MDAP), a joint venture with Mercatus Co-operative Limited (Mercatus) settled on the acquisition of a 33.33% interest in 1 Bligh Street, Sydney for $375.0 million excluding acquisition costs.

On 20 July 2021, Dexus entered into binding terms which provide a framework to fund, develop and invest in Atlassian's new headquarters at 8-10 Lee Street, Sydney. As part of the arrangements Dexus will act as development manager and take responsibility for delivering the project, fund 100% of the project costs during construction, and retain a long-term equity interest in the asset with Atlassian. The total project costs are expected to be $1.4 billion.

On 22 July 2021, Dexus acquired a 49% interest in a holding unit trust that owns Capital Square Tower 1 at 98 Mounts Bay Road in Perth, for a total consideration of $339.0 million. A portion of Dexus's contribution will be utilised by the holding trust as a new receivable loan to the co-owner, to be repaid in four years. Dexus's share in the loan receivable is approximately $77.0 million.

On 27 July 2021, APN Property Group (APN) security holders approved the Scheme of Arrangement for Dexus to acquire all of the stapled securities in APN for an all cash-consideration of 90 cents per security. On 13 August 2021, the Scheme was implemented. Effective from this date, APN is now a wholly owned subsidiary of Dexus.

On 3 August 2021, settlement occurred for the disposal of 60 Miller Street, North Sydney for $273.0 million excluding transaction costs.

On 9 August 2021, settlement occurred for the disposal of 436-484 Victoria Road, Gladesville for $55.0 million excluding transaction costs.

On 13 August 2021, Dexus entered into an agreement to sell 22 Business Park Drive, Ravenhall for $13.5 million excluding transaction costs.

On 15 August 2021, Dexus entered into a put and call option arrangement to acquire 1-21 McPhee Drive, Berrinba and 116-130 Gilmore Road, Berrinba for $117.0 million excluding acquisition costs.

On 15 August 2021, Dexus exchanged contracts to acquire 2 Maker Place, Truganina for $69.0 million excluding acquisition costs.

On 16 August 2021, Dexus entered into a put and call option arrangement to acquire 113-153 Aldington Road, Kemps Creek for $125.5 million excluding acquisition costs.

There remains significant uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of economic recovery. In accordance with AASB 110 *Events after the Reporting Date*, the Group considered whether events after the reporting period confirmed conditions that existed before the reporting date, e.g. bankruptcy of customers. Consideration was given to the macro-economic impact of any lockdowns or border closures since 30 June 2021, and the Group concluded that the amounts recognised in the Consolidated Financial Statements and the disclosures therein are appropriate. The economic environment is subject to rapid change and updated facts and circumstances continue to be closely monitored by the Group.

Since the end of the year other than the matters disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or the Consolidated Financial Statements that has significantly or may significantly affect the operation of the Group, the results of those operations, or state of the Group's affairs in future financial periods.

Directors' Declaration

The Directors of Dexus Funds Management Limited as Responsible Entity of Dexus Diversified Trust declare that the Consolidated Financial Statements and Notes set out on pages 114 to 170:

i. comply with Australian Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements; and

ii. give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the Directors' opinion:

a. the Consolidated Financial Statements and Notes are in accordance with the *Corporations Act 2001*;

b. there are reasonable grounds to believe that the Group and its consolidated entities will be able to pay their debts as and when they become due and payable; and

c. the Group has operated in accordance with the provisions of the Constitution dated 15 August 1984 (as amended) during the year ended 30 June 2021.

The Consolidated Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

W Richard Sheppard
Chair
16 August 2021

Independent Auditor's Report

Independent auditor's report

To the stapled security holders of Dexus Diversified Trust

Report on the audit of the Group financial report

Our opinion

In our opinion:

The accompanying Group financial report of Dexus Diversified Trust (the Trust) and its controlled entities, Dexus Industrial Trust (DIT) and its controlled entities, Dexus Office Trust (DOT) and its controlled entities, and Dexus Operations Trust (DXO) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

For the purposes of consolidation accounting, the Trust is the deemed parent entity and acquirer of DIT, DOT and DXO.

The Group financial report comprises:

- the Consolidated Statement of Financial Position as at 30 June 2021
- the Consolidated Statement of Comprehensive Income for the year then ended
- the Consolidated Statement of Changes in Equity for the year then ended
- the Consolidated Statement of Cash Flows for the year then ended
- the Notes to the Consolidated Financial Statements, which include significant accounting policies and other explanatory information
- the Directors' Declaration.

The Group financial report excludes the Directors' Report included on pages 107 to 112 of the annual report.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Group financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Group financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the Group financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Group financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Group financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall materiality of \$35.9 million, which represents approximately 5% of the Group's adjusted profit before tax (Funds from Operations or FFO). • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the Group financial report as a whole. • We chose FFO because, in our view, it is the key performance measure of the Group. An explanation of what is included in FFO is outlined in Note 1, Operating segments.	• The Group is a stapled group with operations in Australia. In a stapled group the securities of two or more entities are 'stapled' together and cannot be traded separately. In the case of the Group, the stapled group includes the Trust, DIT, DOT and DXO and their respective controlled entities. • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • We audited each of the individual stapled trusts that form the Group as well as the consolidation of the Group.	• Amongst other relevant topics, we communicated the following key audit matters to the Board Audit Committee: – Valuation of investment properties, including those investment properties in investments accounted for using the equity method – Carrying amount of inventory – Expected Credit Losses (ECL) associated with rental receivables related to property revenue • These are further described in the *Key audit matters* section of our report.

- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial report for the current period. The key audit matters were addressed in the context of our audit of the Group financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of investment properties, including those investment properties in investments accounted for using the equity method *(Refer to Notes 8 and 9)*	
The Group's investment property portfolio comprises: • Directly held properties included in the Consolidated Statement of Financial Position as Investment Properties valued at $8,476.8 million as at 30 June 2021 (2020: $8,215.9 million). • The Group's share of investment properties held through associates and joint ventures included in the Consolidated Statement of Financial Position as Investments accounted for using the equity method valued at $7,474.6 million as at 30 June 2021 (2020: $7,433.4 million). Investment properties are carried at fair value at reporting date using the Group's policy as described in Note 8. The valuation of investment properties is dependent on assumptions and inputs including the capitalisation rate, discount rate, terminal yield, and net market rental. In light of the continued impact and uncertainty surrounding the Coronavirus (COVID-19) pandemic, significant judgement was exercised by the Group in determining the significant assumptions used to determine fair value. The Group engaged external valuers to assist in the determination of the fair value of investment properties. For certain investment properties, the valuers have included a significant valuation uncertainty clause in their reports. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic.	To assess the valuation of investment properties we performed the following procedures amongst others: • We compared the valuation methodology adopted by the Group with commonly accepted valuation approaches used for investment properties in the industry, and with the Group's stated valuation policy. • We obtained a selection of independent property market reports to develop an understanding of prevailing market conditions to assist us with assessing the expected impact on the Group's investment properties. • We assessed the design and tested the operating effectiveness of certain controls supporting the Group's investment property valuation process, including controls relating to the review and approval of valuations adopted. • We agreed the fair values of all properties to the external or internal valuation models. • For a sample of key data inputs to the valuations, we agreed details to supporting documentation. For example, we compared the rental income used in the investment property valuations to relevant lease agreements. • We performed a risk-based assessment over the investment property portfolio to determine those properties at greater risk of being carried at amounts other than fair value. Our risk-based selection criteria included qualitative and quantitative

This represents a higher level of estimation uncertainty in relation to the valuation of investment properties.

At each reporting period the Group determines the fair value of its investment property portfolio having regard to the Group's valuation policy which requires all properties to be externally valued by an independent valuation expert at least once every three years. It has been the Group's practice to have such valuations performed every six months.

This was considered a key audit matter given:

- The inherently subjective nature of investment property valuations arising from the use of assumptions in the valuation methodology.
- The extent of judgement involved in determining the fair value of investment properties in light of the continued impact and uncertainty surrounding the COVID-19 pandemic.
- The financial significance of the balance.
- The importance of the valuers' clause referring to valuation uncertainty to users' understanding of the Group financial report, where relevant.

measures and were informed by our knowledge of each property, asset class and our understanding of the current market conditions.

For those properties which met our selection criteria, we performed procedures to assess the appropriateness of significant assumptions used in the valuations. These procedures included, amongst others:

- Meeting with the Group's Head of Valuations and discussing the specifics of the selected individual properties including, amongst other things, any new leases signed during the year, lease expiries, incentives, capital expenditure and vacancy rates.
- Comparing significant assumptions such as the capitalisation rate, discount rate and net market rental used in the valuations to market analysis published by industry experts and recent market transactions.
- Considering the impact of significant valuation uncertainty clauses, specific other uncertainties and adjustments related to COVID-19 included in independent valuers' reports, where applicable.
- Testing the mathematical accuracy of the valuation calculations.

- As the Group engaged external experts to assist in the determination of the fair value of certain investment properties, we considered the independence, experience and competency of the Group's external experts as well as the results of their procedures.
- We met with a selection of independent valuation firms to develop an understanding of their processes, judgements and observations, as well as any material valuation uncertainty clauses included in their valuation reports and how they dealt with the uncertainties arising from COVID-19 in their valuations.
- We assessed the reasonableness of the Group's disclosures in the Group financial report against the requirements of Australian Accounting Standards. In particular, we considered the adequacy of the disclosures made in Note 8 to the consolidated financial statements which explain that there is significant estimation uncertainty in relation to the valuation of investment properties.

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Key audit matter	*How our audit addressed the key audit matter*
Carrying amount of Inventory *(Refer to Note 10)* The Group develops a portfolio of office and industrial sites for future sale, which are classified as inventory. At 30 June 2021 the carrying amount of the Group's inventory was $178.2 million (2020: $335.8 million). The Group's inventories are held at the lower of the cost or net realisable value for each inventory asset. The cost of inventory is calculated using actual acquisition costs, subsequent construction and development related costs, and interest capitalised for eligible projects. Net realisable value is determined by using the valuation techniques referred to in the key audit matter: *Valuation of investment properties, including those investment properties in investments accounted for using the equity method* to determine the estimated future selling price, or using an agreed sales price where an agreement has been signed, and adjusting for the estimated cost to complete and transaction costs. We considered the carrying amount of inventory to be a key audit matter given the: • Judgements required by the Group in determining the future fair value of properties being developed for sale. • Financial significance of the inventory balance in the Consolidated Statement of Financial Position. • The subsequent impact to FFO from the disposal of inventory.	To assess the carrying amount of inventory we performed the following procedures amongst others: • We tested that a sample of acquisition costs and costs capitalised to inventory were in accordance with the Group's policy/methodology and the requirements of Australian Accounting Standards. • Where the Group had exchanged a contract to sell the underlying inventory asset, we checked that the agreed sales price, net of selling costs, exceeded the carrying amount. • For all other inventory assets we performed net realisable value testing as follows: - Discussed with the Group, amongst other things, the life cycle of the project, key project risks, changes to project strategy, current and future estimated sales prices, construction progress and costs and any new or previous impairments, including the impact of COVID-19 and how it has been reflected in the net realisable value. - We compared estimated sales prices to market sales data for comparable properties in similar locations. This included comparing the market capitalisation rates and net market income used by the Group to calculate net realisable value to market capitalisation rates and rental rates published by external independent valuation experts. - We compared the carrying amount of inventory against the Group's estimate of net realisable value as at 30 June 2021 to identify assets with potential impairments. • We assessed the reasonableness of the Group's disclosures in the Group financial report against the requirements of Australian Accounting Standards.

Key audit matter	***How our audit addressed the key audit matter***

Expected Credit Losses (ECL) associated with rental receivables related to property revenue
(Refer to Notes 2 and 19)

The Group's main revenue stream is property revenue which is derived from holding investment properties and earning rental yields over time. Property revenue is recognised on a straight-line basis over the terms of the underlying leases, with receivables being recorded for property rental revenue recognised but not yet received.

In response to the COVID-19 pandemic, the Australian Government introduced The Code of Conduct for Commercial Tenancies (the Code) for tenants that suffered financial stress or hardship as defined by their eligibility for the Commonwealth Governments JobKeeper program. All State Governments subsequently legislated a version of the Code with all rent relief measures being concluded during the year ended 30 June 2021.

The Group continues to work with impacted tenants to finalise rent relief measures in accordance with the Code.

Australian Accounting Standards require that the Group recognise provisions for ECL for all financial assets held at amortised cost, including property rental receivables, and to reduce the gross carrying amount of a financial asset when the Group does not have a reasonable expectation of recovering a property rental receivable, or portion thereof.

Where the Group has recorded property rental receivables but is expecting to provide rent relief to the tenants to whom the receivables relate, a provision for ECL is recognised against the receivable.

We considered this a key audit matter due to the continued uncertainty in the economic environment and the uncertain outcome of continued rent relief negotiations with tenants which have resulted in significant estimation uncertainty when determining the provision for ECL at 30 June 2021.

In order to assess the appropriateness of ECL provisions associated with property rental receivables, we performed the following procedures amongst others:

- We performed inquiries of management to develop an understanding of the key processes established by the Group in response to the continued administration of rent relief to tenants during the COVID-19 period.
- We obtained the Group's accounting papers outlining the impact of COVID-19 on the ECL provisions associated with property rental receivables and assessed whether the Group's treatment was in accordance with Australian Accounting Standards.
- For a sample of tenants where the outcome of rental relief negotiations was known, we agreed the amount of relief provided to relevant source documentation such as signed tenant agreements.
- Where the outcome of rental relief negotiations for tenants have not yet concluded we obtained the model developed by the Group that estimated the amount that the Group did not have a reasonable expectation of recovering from tenants and thus was provided as an ECL against the property rental receivable balance. The model was also used to estimate the ECL provision of the remaining property rental receivables balance.

  For the population of tenants for which the rent relief has not been agreed, we:

  – Assessed whether the Group's significant assumptions used to calculate the expected rent relief were appropriate in light of current and forecast economic conditions.
  – Recalculated the rent abatement for a sample of tenants.
  – Checked the mathematical accuracy of the calculations within the model.
  – Agreed the total relief expected to be provided per the model to the Group financial report.

  In testing the Group's ECL provision model we performed the following audit procedures, amongst others, on a sample basis:

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- Agreed a sample of data such as tenant property rental amounts used as inputs to the ECL model to relevant source documentation.
- Checked the mathematical accuracy of the calculations within the model.
- Assessed the methodology applied against generally accepted market practice.
- Considered the Group's judgements including the appropriateness of forward-looking information incorporated into the ECL model by assessing the forecasts, assumptions and probability weighting applied in multiple economic scenarios.

- We assessed the reasonableness of the Group's disclosures in the Group financial report against the requirements of Australian Accounting Standards.

Other information

The Directors of Dexus Funds Management Limited as Responsible Entity of the Trust, DIT, DOT and DXO (the Directors) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021 but does not include the Group financial report and our auditor's report thereon.

Our opinion on the Group financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the Group financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Group financial report

The Directors are responsible for the preparation of the Group financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the Group financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Group financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Group financial report

Our objectives are to obtain reasonable assurance about whether the Group financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Group financial report.

A further description of our responsibilities for the audit of the Group financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration report

Our opinion on the Remuneration report

We have audited the Remuneration report included on pages 78 to 105 of the annual report for the year ended 30 June 2021.

In our opinion, the Remuneration report for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors are responsible for the preparation and presentation of the Remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
16 August 2021

Integrated Reporting Content Elements Index

An Integrated Report includes eight Content Elements, posed in the form of questions to be answered. The purpose of this Index is to allow readers to understand how and where we have addressed these integrated reporting content elements throughout this Annual Report. PwC has been engaged to provide limited assurance as to whether the Content Elements of the Integrated Reporting Framework have been addressed in this report as described in this Index. This assurance is focused on whether these Content Elements have been included in this report but does not extend to assessing the accuracy or validity of any statement made throughout this report.

Content Elements	Reference	Page
A. Organisational overview and external environment		
What does the organisation do and what are the circumstances under which it operates?	About this report	1
	About Dexus	4–5
	Chair and CEO review	6–11
	How we create value	12–13
	Strategy	16–17
	Key business activities	20–21
	Financial	28–41
	Environment, Climate resilience	62–69
	Governance	72–77
External environment	Megatrends	14–15
	Key risks	22–27
	Materiality assessment	26–27
	Customer and communities	54–61
B. Governance		
How does the organisation's governance structure support its ability to create value in the short, medium and long term?	Chair and CEO review	6–11
	Key risks	22–27
	People and capabilities	50–53
	Environment, Climate resilience	62–69
	Future commitments	70–71
	Governance	72–77
	Board focus areas	22, 28, 42, 62, 79
	Board skills and experience	73
	Board composition, Group Management Committee	77
	Remuneration report	78–105
	Group scorecard performance	92
C. Business model		
An integrated report should answer the question: What is the organisation's business model including key; inputs, business activities, outputs and outcomes?	FY21 highlights	2–3
	Chair and CEO review	6–11
	How we create value	12–13
	Megatrends	14–15
	Strategy	16–17
	Key resources	18–19
	Key business activities	20–21
	Key risks	22–27
	Materiality assessment	26–27
	Climate resilience	66–69
	Performance:	
	– Financial	28–41
	– Properties	42–49
	– People and capabilities	50–53
	– Customer and communities	54–61
	– Environment	62–69
	Future commitments	70–71
D. Risks and opportunities		
An integrated report should answer the question: What are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them?	How we create value	12–13
	Key risks	22–27
	Materiality assessment	26–27
	Climate resilience	66–69
E. Strategy and resource allocation		
An integrated report should answer the question: Where does the organisation want to go and how does it intend to get there?	Chair and CEO review	6–11
	– Achievement against FY21 priorities, Strategy, Summary and outlook	7, 8, 11
	How we create value	12–13
	Megatrends	14–15
	Strategy	16–17
	Key resources	18–19
	Key risks	22–27
	Materiality assessment	26–27
	Performance:	
	– Financial	28–41
	– Properties	42–49
	– People and capabilities	50–53
	– Customers and communities	54–61
	– Environment	62–69
	Future commitments	70–71

Content Elements	Reference	Page
F. Performance		
An integrated report should answer the question: To what extent has the organisation achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?	Chair and CEO review	6–11
	How we create value	12–13
	Materiality assessment	26–27
	Board focus areas	22, 28, 42, 62, 79
	Performance:	
	– Financial	28–41
	– Properties	42–49
	– People and capabilities	50–53
	– Customers and communities	54–61
	– Environment	62–69
	Collaborating with our suppliers	58
	Advancing resource efficiency, increasing renewable energy	64
	Climate resilience	66–69
	Future commitments	70–71
	Governance	72–77
G. Outlook		
An integrated report should answer the question: What challenges and uncertainties is the organisation likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?	Chair and CEO review	6–11
	How we create value	12–13
	Megatrends	14–15
	Key resources	18–19
	Key risks	22–27
	Performance:	
	– Financial	28–41
	– Properties	42–49
	– People and capabilities	50–53
	– Customers and communities	54–61
	– Environment	62–69
	Group scorecard performance	92
	Historical performance outcomes	96
H. Basis of preparation and presentation		
An integrated report should answer the question: How does the organisation determine what matters to include in the integrated report and how are such matters quantified or evaluated?	About this report	1
	Megatrends	14–15
	Key resources	18–19
	Key risks	22–27
Summary of materiality determination process	Materiality assessment	26–27
	Board focus areas	62
Reporting boundary	About this report	1
Summary of significant frameworks and methods	About this report and report scope	1
	FY21 highlights	2–3
	GRI standards	1
	Key risks	22–27
	Performance:	
	– Financial	28–41
	– Properties	42–49
	– People and capabilities	50–53
	– Customers and communities	54–61
	– Environment	62–69

Independent limited assurance report

What we found

Based on the work described below, nothing has come to our attention that causes us to believe that the Integrated Reporting Content Elements Index, presented in the Dexus Annual Report for the year ended 30 June 2021, has not addressed the Content Elements as described within Section 4 of The International Integrated Reporting Framework.

To the Board of Directors of Dexus Funds Management Limited,

What we did

Dexus Funds Management Limited (**Dexus**) engaged PricewaterhouseCoopers (**PwC**) to perform a limited assurance engagement on the preparation of the Integrated Reporting Content Elements Index (the **Subject Matter**), presented in the Dexus Annual Report for the year ended 30 June 2021 (the **Annual Report**), to address the Content Elements as described within Section 4 of The International Integrated Reporting Framework (the **Assurance Criteria**).

This assurance is focused on whether these Content Elements have been addressed in this Annual Report but does not extend to assessing the accuracy or validity of any statement made throughout this Annual Report.

The Assurance Criteria has been developed by the International Integrated Reporting Council. This is a publicly available document and can be found here: https://integratedreporting.org/resource/international-ir-framework/

Scope Exclusions

Our assurance engagement focused on whether the Content Elements have been addressed in the Annual Report per the Assurance Criteria above. However, it does not extend to assessing the accuracy or validity of any statement made throughout this Annual Report.

Independence and Quality Control

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

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

Responsibilities

PricewaterhouseCoopers

Our responsibility is to express a conclusion based on the work we performed.

Dexus Management

Dexus Management is responsible for the preparation and presentation of the Integrated Reporting Content Elements Index included in the Annual Report to address the Content Elements as described within Section 4 of The International Integrated Reporting Framework. Dexus Management are also responsible for ensuring that the Integrated Reporting Content Elements Index provides an accurate and fair representation of the Annual Report's alignment to The International Integrated Reporting Framework's Content Elements and that all statements made throughout the Annual Report are accurate and valid.

What our work involved

We conducted our work in accordance with the Australian Standard on Assurance Engagements 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. This standard requires that we comply with independence and ethical requirements and plan the engagement so that it will be performed effectively.

Main procedures performed

Our procedures consisted primarily of:

- Undertaking enquiries of Management regarding the processes and controls for capturing, collating and reporting the Subject Matter;
- Reviewing and assessing the appropriateness of the Assurance Criteria;
- Reviewing and assessing the completeness of the Subject Matter;
- Assessing the preparation and presentation of the Subject Matter against the Assurance Criteria;
- Reviewing all references noted in the Subject Matter and confirming the appropriateness of the references against the Assurance Criteria; and
- Reconciling the sections and page numbers included within the Integrated Reporting Content Elements Index to the referenced sections of the Annual Report.

We believe that the information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

C. Mara PricewaterhouseCoopers

Caroline Mara
Partner
16 August 2021

PricewaterhouseCoopers
Sydney

Liability limited by a scheme approved under Professional Standards Legislation

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected.

Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and sampling or estimating such data.

Restriction on use

This report has been prepared in accordance with our engagement terms to assist Dexus in its integrated reporting.

Our report is intended solely for the Directors of Dexus. We do not accept or assume responsibility for the consequences of any reliance on this report for any other purpose or to any other person or organisation.

Any reliance on this report by any third party is entirely at its own risk. We consent to the inclusion of this report within the Annual Report to assist Dexus' members in assessing whether the directors have discharged their responsibilities by commissioning an independent assurance report in connection with the Subject Matter.

We accept no responsibility for the integrity and security of the Dexus website, which is the responsibility of Dexus management. This report is not intended to relate to, or to be read in conjunction with, any information that may appear on the Dexus website other than the Subject Matter and Assurance Criteria. Readers of this report on the Dexus website (who may read it for their information only) should bear in mind the inherent risk of the website changing after the date of our report.

Limited assurance

This engagement is aimed at obtaining limited assurance for our conclusions. As a limited assurance engagement is restricted primarily to enquiries and analytical procedures and the work is substantially less detailed than that undertaken for a reasonable assurance engagement, the level of assurance is lower than would be obtained in a reasonable assurance engagement.

Professional standards require us to use negative wording in the conclusion of a limited assurance report.

Investor information

Dexus recognises the importance of effective communication with existing and potential institutional investors, sell-side analysts and retail investors.

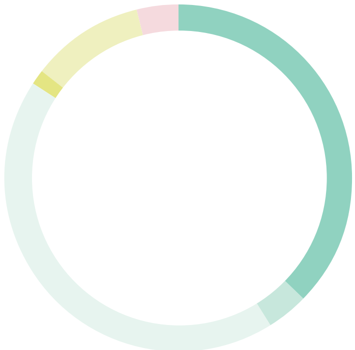
Our Executives and the Investor Relations team maintain a strong rapport with the investment community through proactive and regular engagement initiatives. We are committed to delivering high levels of transparency and disclosure by:

- Releasing accurate and relevant information to investors to ensure they can make informed investment decisions
- Providing regular access to senior management through one-on-one meetings, presentations, property tours, conferences, dedicated investor roadshows, conference calls and webcasts

We adopt strong governance practices including a policy that ensures a minimum of two Dexus representatives participate in any institutional investor or sell-side broker meetings and that a record of the meeting is maintained on an internal customer relationship management database.

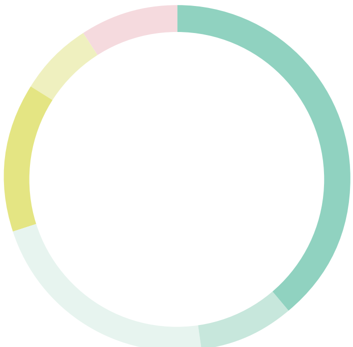
During FY21, senior management together with the Investor Relations team held 208 engagements with investor/broker groups to discuss the group's business strategy, operational, financial and ESG performance. These engagements were undertaken across a wide range of investor activities including telephone calls, conferences, site visits, roadshows, one-on-one meetings, investor briefings and roundtables.

Investor contact method (by number)



Telephone calls 77
Group meetings 8
One-on-one meetings 90
Property tours 3
Director engagement meetings 22
Conferences & panels 8

Security holders by geography



Australia 39%
UK 9%
North America 22%
Europe (ex UK) 14%
Asia 7%
Rest of world 9%

We participated in a number of virtual conferences which were attended by domestic and international institutional investors. These conferences enabled access to potential new investors and assisted with strengthening existing relationships with long term investors.

We regularly commission independent investor perception studies to gather feedback from the institutional investment community. These studies involve independent surveys and interviews with institutional investors and sell-side brokers to measure perceptions on a number of attributes and report on the findings. The results help the Board and Executive team understand the investment community's views and concerns and assists in the enhancement of the group's investor relations and communications activities.

Our Treasury team held presentations with institutional debt investors in August and September 2020 and February 2021. In addition, the team participated in the Property Treasurers' Round Table events facilitated by the Property Council of Australia and regularly met with banks, rating agencies and other credit investors.

Annual General Meeting

Dexus's Annual General Meeting will be held on Tuesday 19 October 2021 commencing at 2.00pm.

Despite the recent lockdowns associated with the COVID-19 pandemic, we are still hopeful that we will be able to host our Annual General Meeting (AGM) as an in person meeting in October this year.

As the health and safety of our Security holders, our employees, all of their families, and the broader community, is paramount, this decision will be reviewed as we get closer to the date of the AGM.

We encourage all Security holders and proxyholders to participate in the Meeting, either by attending the meeting in person, or via a virtual online platform or webcast at www.dexus.com.

Details relating to the meeting and how it will be conducted will be provided in the 2021 Notice of Annual General Meeting when its released in September 2021.

Distribution payments

Dexus's payout policy is to distribute in line with free cash flow.

Distributions are paid for the six-month periods to 31 December and 30 June each year. Distribution statements are available in print and electronic formats and distributions are paid only by direct credit into nominated bank accounts for all Australian and New Zealand Security holders and by cheque for other international Security holders. To update the method of receiving distributions, please visit the investor login facility at www.dexus.com/update

Unclaimed distribution income

Unpresented cheques or unclaimed distribution income can be claimed by contacting the Dexus Infoline on +61 1800 819 675. For monies outstanding greater than seven years, please contact the NSW Office of State Revenue on +61 1300 366 016, 8.30am-5.00pm Monday to Friday or use their search facility at osr.nsw.gov.au/ucm or email unclaimedmoney@osr.nsw.gov.au

AMMA Statement (previously the Annual Taxation Statement)

An Attribution Managed Investment Trust Member Annual Statement (AMMA) is sent to investors at the end of August each year. The statement summarises distributions provided during the financial year and includes information required to complete your tax return. AMMA statements are also available online at www.dexus.com/update

Go electronic for convenience and speed

Did you know that you can receive all or part of your security holder communications electronically? You can change your communication preferences at any time by logging in at www.dexus.com/update or by contacting Link Market Services on +61 1800 819 675.

2022 Reporting calendar[1]

2021 Annual General Meeting	19 October 2021
2022 Half year results	9 February 2022
2022 Annual results	17 August 2022
2022 Annual General Meeting	26 October 2022

Distribution calendar[1]

Period end	31 December 2021	30 June 2022
Ex-distribution date	30 December 2021	29 June 2022
Record date	31 December 2021	30 June 2022
Payment date	28 February 2022	30 August 2022

1. Please note that these dates are indicative and are subject to change without prior notice. Any changes in our key dates will be published on our website at www.dexus.com/investor-centre.

2021 Annual Reporting Suite

Dexus's 2021 Annual Reporting Suite for the year ended 30 June 2021, is available at www.dexus.com/investor-centre.

The reporting suite includes:

2021 Annual Report

An integrated summary of the value created across Dexus's key resources and the Consolidated Financial report.

2021 Financial Statements

The Financial Statements for Dexus Industrial Trust, Dexus Office Trust and Dexus Operations Trust, which should be read in conjunction with the 2021 Annual Report.

2021 Sustainability Report

The Sustainability Report incorporates the Sustainability Performance Pack, Sustainability Data Appendix, Sustainability Approach and Procedures, GRI Content Index and Assurance Statement, supporting the results outlined in the 2021 Annual Report.

2021 Annual Results Presentation

A summary of Dexus's operational and financial performance.

2021 Corporate Governance Statement

The Corporate Governance Statement outlines Dexus's corporate governance framework.

2021 Modern Slavery Statement

The Modern Slavery Statement outlines Dexus's modern slavery management framework.

The 2021 Annual Reporting Suite is available in hard copy by email request to ir@dexus.com or by calling +61 1800 819 675.

Investor communications

We are committed to ensuring all investors have equal access to information. In line with our commitment to long term integration of sustainable business practices, investor communications are provided via various electronic methods including:

Dexus's website – www.dexus.com

Other investor tools available include:

Online enquiry – www.dexus.com/get-in-touch
Scroll down to the investor section to get in touch with us.

Investor login – www.dexus.com/update
Enables investors to update their details and download statements.

Subscribe to alerts – www.dexus.com/subscribe
enables investors to receive Dexus communications immediately after release.

Key dates – notifies investors on key events and reporting dates.

LinkedIn – we engage with our followers on LinkedIn at www.dexus.com/LinkedIn and click follow us.

Making contact

If you have any questions regarding your Security holding or wish to update your personal or distribution payment details, please contact the Registry by calling the Dexus Infoline on +61 1800 819 675. This service is available from 8.30am to 5.30pm (Sydney time) on all business days. All correspondence should be addressed to:

Dexus

C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Phone: +61 1800 819 675

Email: dexus@linkmarketservices.com.au

We are committed to delivering a high level of service to all investors. If you feel we could improve our service or you would like to make a suggestion or a complaint, your feedback is appreciated. Our contact details are:

Investor Relations

Dexus
PO Box R1822
Royal Exchange NSW 1225
Email: ir@dexus.com

Complaints handling process

Dexus has a complaints handling policy to ensure that all Security holders are dealt with fairly, promptly and consistently.

Any Security holder wishing to lodge a complaint, can do so verbally by calling the Dexus Infoline on +612 1800 819 675 or in writing to:

Dispute Resolutions Officer

Dexus Funds Management Limited
PO Box R1822
Royal Exchange NSW 1225
or
email to ir@dexus.com

Dexus Funds Management Limited is a member of the Australian Financial Complaints Authority (AFCA), an independent dispute resolution scheme which may be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne VIC 3001

Phone: +61 1800 931 678
(free call within Australia)

Fax: +61 3 9613 6399

Email: info@afca.org.au

Website: www.afca.org.au

Additional information

Top 20 Security holders at 30 July 2021

Rank	Name	Number of stapled securities	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	475,909,935	42.57
2	J P Morgan Nominees Australia Pty Limited	236,099,221	21.95
3	Citicorp Nominees Pty Limited	128,971,084	11.99
4	National Nominees Limited	35,299,114	3.28
5	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C >	30,251,412	2.81
6	BNP Paribas Nominees Pty Ltd <DRP>	21,809,092	2.03
7	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	11,474,910	1.07
8	BNP Paribas Nominees Pty Ltd Six Sis Ltd <DRP A/C>	9,667,244	0.90
9	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	6,117,342	0.57
10	Artmax Investments Limited	3,273,924	0.30
11	Buttonwood Nominees Pty Ltd	3,212,975	0.30
12	Australian Executor Trustees Limited <IPS Super A/C>	2,250,038	0.21
13	Netwealth Investments Limited <Wrap Services A/C>	2,166,839	0.20
14	Charter Hall Wholesale Mngt Ltd	2,019,501	0.19
15	BNP Paribas Nominees (NZ) Ltd <DRP>	1,994,743	0.19
16	AMP Life Limited	1,763,947	0.16
17	HSBC Custody Nominees (Australia) Limited - A/C 2	1,760,560	0.16
18	BNP Paribas Nominees Pty Ltd ACF Clearstream	1,745,163	0.16
19	Neweconomy com au Nominees Pty Limited <900 Account>	1,652,928	0.15
20	Medich Capital Pty Ltd <Roy Medich Investment A/C>	1,600,000	0.15
Sub total		**961,039,972**	**89.35**
Balance of register		**114,525,274**	**10.65**
Total of issued capital		**1,075,565,246**	**100.00**

Substantial holders at 30 July 2021

The names of substantial holders, at 30 July 2021 that have notified the Responsible Entity in accordance with section 671B of the Corporations Act 2001, are:

Date	Name	Number of stapled securities	% voting
28 Jul 2021	Vanguard Group	109,255,969	10.16
12 May 2020	Blackrock Group	107,340,102	9.83
8 Apr 2019	State Street Corporation	70,998,322	6.98

Note: Dexus issued capital changed from 1,091,202,163 securities to 1,075,565,246 securities between October 2020 and March 2021 as a result of Dexus purchasing DXS Securities as part of its on-market securities buy back facility that was announced to the ASX on 23 October 2019 and 10 October 2020.

Dexus Simplification

On 6 July 2021, Dexus completed the Simplification process which involved changing Dexus from a quadruple stapled trust structure (comprising DXO, DDF, DIT and DOT) to a group comprising two stapled trusts, DXO and DPT, a new established trust. Therefore Simplified Dexus Group comprises a unit in each of DXO and DPT. There was no change to Dexus's underlying business and operations or Security holder's interests in Dexus (other than for Ineligible Foreign Security holders) after the completion of the Simplification. Information relating to the Simplification is available at www.dexus.com/Simplification

Class of securities

Dexus has one class of stapled security trading on the ASX with Security holders holding stapled securities at 30 July 2021.

Spread of Securities at 30 July 2021

Range	Securities	%	No. of Holders
100,001 and over	987,220,050	91.79	83
50,001 to 100,000	4,330,867	0.40	66
10,001 to 50,000	22,961,892	2.13	1,324
5,001 to 10,000	20,661,610	1.92	2,988
1,001 to 5,000	34,815,442	3.24	14,319
1 to 1,000	5,575,385	0.52	12,018
Total	**1,075,565,246**	**100.00**	**30,798**

At 30 July 2021, the number of security holders holding less than a marketable parcel of 49 Securities ($500) was 526 and they held a total of 3,950 securities.

Voting rights

At meetings of the security holders of Dexus Property Trust and Dexus Operations Trust, being the Trusts that comprise Dexus, on a show of hands, each Security holder of each Trust has one vote. On a poll, each Security holder of each Trust has one vote for each dollar of the value of the total interests they have in the Trust.

There are no stapled securities that are restricted or subject to voluntary escrow.

On-market buy-back

Dexus announced that it was continuing its on-market securities buy-back program on 13 October 2020 for up to 5% of DXS securities. Throughout the year, Dexus acquired 15,636,917 securities for $136 million at an average price of $8.69 under the buy-back program.

As at the date of this report the buy-back program is open.

Cost base apportionment

For capital gains tax purposes, the cost base apportionment details for Dexus securities for the 12 months ended 30 June 2021 are:

Date	Dexus Diversified Trust	Dexus Industrial Trust	Dexus Office Trust	Dexus Operations Trust
1 Jul 2020 to 31 Dec 2020	28.48%	7.71%	61.01%	2.80%
1 Jan 2021 to 30 Jun 2021	29.69%	7.94%	59.09%	3.28%

Historical cost base details are available at www.dexus.com

Key ASX announcements

13 August 2021	APN Property Group schemes implemented
12 August 2021	Appendix 3Y – Nicola Roxon
4 August 2021	APN Property Group schemes become effective
4 August 2021	Settlement of 60 Miller Street, North Sydney
27 July 2021	Results of meetings relating to APN Property Group
22 July 2021	Acquisition of 49% interest in Premium-grade Perth office tower
20 July 2021	Agreement to fund, develop and invest in flagship Atlassian development
8 July 2021	Settlement of MDAP acquisition of interest in 1 Bligh Street Sydney
8 July 2021	DDF, DOT and DIT removed from Official List
7 July 2021	Appendix 3Y – Patrick Allaway
7 July 2021	Appendix 3Y – Penny Bingham-Hall
7 July 2021	Appendix 3Y – Tonianne Dwyer
7 July 2021	Appendix 3Y – Darren Steinberg
7 July 2021	Appendix 3Y – Richard Sheppard
7 July 2021	Appendix 3Y – Mark Ford
7 July 2021	Appendix 3Y – Nicola Roxon
6 July 2021	Confirmation of completion of Simplification
1 July 2021	Additional information concerning Dexus on-market buy-back program
1 July 2021	Appendix 3C – Notification of buy-back
1 July 2021	Pre-Quotation Disclosure
1 July 2021	Dexus Property Trust – Admission to Official List
30 June 2021	Retirement of Non-Executive Director
30 June 2021	Appendix 3Z – Final Director's Interest Notice
23 June 2021	Notice of Distribution – Appendix 3A
23 June 2021	Estimated distribution for the six months to 30 June 2021
23 June 2021	Values increase across Dexus property portfolio
22 June 2021	Simplification implementation and timetable
15 June 2021	Appendix 3Y – Darren Steinberg
9 June 2021	Healthcare real estate – establishment of relationship with Australian Unity
31 May 2021	Upgrade to FY21 guidance
31 May 2021	Settlement of 10 Eagle Street Brisbane
25 May 2021	Senior management retention awards
11 May 2021	Acquisition of APN to further strengthen Funds business
4 May 2021	March 2021 quarter update
4 May 2021	Macquarie Australia Conference
27 April 2021	Update in relation to the merger of DWPF with AMP Capital Diversified Fund
22 April 2021	2021 Extraordinary General Meeting
22 April 2021	2021 Extraordinary General Meeting Results
6 April 2021	Sale of 10 Eagle Street Brisbane
23 March 2021	Explanatory Memorandum and Notice of Extraordinary General Meeting
22 March 2021	Dexus establishes new JV to acquire interest in 1 Bligh Street Sydney
16 March 2021	Dexus and DWPF enter into implementation agreement with ADPF
15 March 2021	Appendix 3Y – Nicola Roxon
10 March 2021	Appendix 3Y – Nicola Roxon
10 March 2021	Appendix 3Y – Tonianne Dwyer
2 March 2021	ASX CEO Connect
2 March 2021	Appendix 3X Initial Director's Interest Notice
1 March 2021	On-market buy-back and cancellation of securities
26 February 2021	31 December 2020 distribution payment
23 February 2021	Appendix 3E Daily buy back notice
22 February 2021	Appendix 3E Daily buy back notice
19 February 2021	Appendix 3E Daily buy back notice

18 February 2021	Appendix 3E Daily buy back notice
18 February 2021	Appendix 3Y – Nicola Roxon
17 February 2021	Appendix 3E Daily buy back notice
16 February 2021	Appendix 3E Daily buy back notice
15 February 2021	Appendix 3E Daily buy back notice
12 February 2021	Appendix 3E Daily buy back notice
11 February 2021	Appendix 3E Daily buy back notice
10 February 2021	Appendix 3E Daily buy back notice
9 February 2021	HY21 Property synopsis
9 February 2021	HY21 Distribution details
9 February 2021	HY21 Appendix 4D and Financial Statements
9 February 2021	HY21 Results release
9 February 2021	HY21 Results presentation
2 February 2021	On market buy back and cancellation of securities
18 January 2021	Appendix 3E Daily buy back notice
18 January 2021	Appointment of non-executive director
15 January 2021	Appendix 3E Daily buy back notice
14 January 2021	Appendix 3E Daily buy back notice
13 January 2021	Appendix 3E Daily buy back notice
12 January 2021	Appendix 3E Daily buy back notice
18 December 2020	Appendix 3Y – Darren Steinberg
18 December 2020	Settlement of 45 Clarence Street Sydney
16 December 2020	Recent sales support resilience in asset values
11 December 2020	Notice of Distribution Appendix 3A
11 December 2020	Distribution details for the six months to 31 December 2020
18 November 2020	Sale of Grosvenor Place, Sydney
16 November 2020	UBS Australasia Virtual Conference
4 November 2020	On-market buy-back and cancellation of securities
2 November 2020	Sale of 60 Miller Street, North Sydney
2 November 2020	Appendix 3E Daily buy back notice
30 October 2020	Appendix 3E Daily buy back notice
30 October 2020	Appendix 3Y – Nicola Roxon
29 October 2020	Appendix 3E Daily buy back notice
23 October 2020	2020 AGM Chair and CEO address
23 October 2020	2020 Annual General Meeting results
21 October 2020	September 2020 quarter portfolio update – Encouraging activity despite economic conditions
20 October 2020	Dexus and HWPF to acquire state-of-the-art healthcare development
13 October 2020	Appendix 3D Changes relating to buy-back
18 September 2020	2020 Notice of Annual General Meeting
9 September 2020	Appendix 3Y – Nicola Roxon
9 September 2020	Appendix 3Y – Tonianne Dwyer
2 September 2020	Appendix 3Z Final Director's Interest Notice
2 September 2020	Retirement of Non-Executive Director
26 August 2020	Appendix 3Y – Richard Sheppard
26 August 2020	Appendix 3Y – Peter St George
26 August 2020	Appendix 3Y – Nicola Roxon
25 August 2020	Appendix 3Y – Darren Steinberg
19 August 2020	2020 Annual Report
19 August 2020	2020 Financial Statements
19 August 2020	2020 Annual Results Presentation
19 August 2020	2020 Final Distribution Details
19 August 2020	2020 Appendix 4G and Corporate Governance Statement
19 August 2020	2020 Appendix 4E Daily buy back notice
19 August 2020	2020 Annual Results Release
19 August 2020	2020 Sustainability Report
19 August 2020	2020 Property Synopsis

Our memberships and affiliations

Dexus holds memberships and affiliations with key industry bodies that are relevant to its investments and operations.

Dexus's industry memberships ensure that its views are represented on advocacy, on policy and legislation. The benefits of collaborating with industry peers include strategic partnerships, research, professional development and networking opportunities.

Dexus regularly reviews these memberships for relevance to its business and alignment with its corporate values. Current Dexus corporate memberships and commitments include:

Property Council of Australia
member

Shopping Centre Council of Australia
member

APREA
member

Committee for Sydney
member

Committee for Melbourne
member

Committee for Perth
member

Committee for Brisbane
member

Better Buildings Partnership
member

Green Building Council Australia
member

GRESB
member

CDP
member

Investor Group on Climate Change
member

WGEA Employer of Choice for Gender Equality
member

InterBUILD
member

Supply Nation Member
member

PRI Principles for Responsible Investment
signatory

UN Global Compact
signatory

World Green Building Council Advancing Net Zero
signatory

Science Based Targets
signatory

RE 100
signatory

CitySwitch Green Office
signatory

Dow Jones Sustainability Indexes
constituent

FTSE4Good
constituent

MSCI
constituent

Climate Active Carbon Neutral Organisation
member

AIRA Australasian Investor Relations Association
member

Directory

Dexus Property Trust
ARSN 648 526 470

Dexus Diversified Trust
ARSN 089 324 541

Dexus Industrial Trust
ARSN 090 879 137

Dexus Office Trust
ARSN 090 768 531

Dexus Operations Trust
ARSN 110 521 223

Responsible Entity
Dexus Funds Management Limited

ABN 24 060 920 783

AFSL 238163

Directors of the Responsible Entity

W Richard Sheppard, Chair

Patrick Allaway

Penny Bingham-Hall

Tonianne Dwyer

Mark H Ford

Warwick Negus

The Hon. Nicola Roxon

Darren J Steinberg, CEO

Secretaries of the Responsible Entity

Brett Cameron

Scott Mahony

Registered office of the Responsible Entity

Level 25, Australia Square
264 George Street
Sydney NSW 2000
PO Box R1822
Royal Exchange Sydney NSW 1225

Phone: +61 2 9017 1100

Fax: +61 2 9017 1101

Email: ir@dexus.com

Website: **www.dexus.com**

Auditors

PricewaterhouseCoopers
Chartered Accountants
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000

Investor Enquiries

Registry Infoline: +61 1800 819 675

Investor Relations: +61 2 9017 1330

Email: dexus@linkmarketservices.com.au

Security Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Locked Bag A14
Sydney South NSW 1235

Website: linkmarketservices.com.au

Open Monday to Friday between 8.30am and 5.30pm (Sydney time). For enquiries regarding security holdings, contact the security registry, or access security holding details at www.dexus.com/investor-centre

Australian Securities Exchange

ASX Code: DXS

Social media

Dexus engages with its followers via LinkedIn and Facebook

dexus.com