

## 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 2018. 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	Resigned
W Richard Sheppard, BEc (Hons), FAICD	1 January 2012	
Elizabeth A Alexander, AM, BComm, FCA, FAICD, FCPA	1 January 2005	24 October 2017
Penny Bingham-Hall, BA (Industrial Design), FAICD, SF (Fin)	10 June 2014	
John C Conde, AO, BSc, BE (Hons), MBA, FAICD	29 April 2009	
Tonianne Dwyer, BJuris (Hons), LLB (Hons)	24 August 2011	
Mark Ford, Dip. Tech (Commerce), CA, FAICD	1 November 2016	
The Hon. Nicola L Roxon, BA/LLB (Hons), GAICD	1 September 2017	
Darren J Steinberg, BEc, FRICS, FAPI, FAICD	1 March 2012	
Peter B St George, CA(SA), MBA	29 April 2009	

### Company Secretaries

The names and details of the Company Secretaries of DXFM as at 30 June 2018 are as follows:

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

**Appointed: 31 October 2014**

Brett is the General Counsel and 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 22 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.

**Rachel Caralis** LLB/B Com (Acc), M Com (Property Development), Grad Dip (Applied Corporate Governance) AGIA, AAPI

**Appointed: 17 February 2016**

Rachel is Senior Legal Counsel and Company Secretary of Dexus.

Rachel joined Dexus in 2008 after five years at King and Wood Mallesons where she worked in the real estate and projects team. Rachel has 15 years' experience as in-house counsel and in private practice working on real estate and corporate transactions, funds management and corporate finance for wholesale and listed clients.

Rachel graduated from the University of Canberra with a Bachelor of Laws and Bachelor of Commerce (Accounting), has completed a Masters of Commerce (Property Development) at the University of Western Sydney and a Graduate Diploma in Applied Corporate Governance at the Governance Institute of Australia. Rachel is a member of the Law Society of New South Wales, an associate of the Australian Property Institute and an associate of the Governance Institute of Australia.

## Directors' report continued

### 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 13 times during the year. Ten Board meetings were main meetings and three meetings were held to consider specific business.

	Main meetings held	Main meetings attended	Specific meetings held	Specific meetings attended
W Richard Sheppard	10	10	3	3
Elizabeth A Alexander, AM <sup>1</sup>	4	4	–	–
Penny Bingham-Hall	10	10	3	3
John C Conde, AO	10	10	3	3
Tonianne Dwyer	10	10	3	3
Mark Ford	10	9	3	3
The Hon. Nicola L Roxon <sup>2</sup>	8	8	3	3
Darren J Steinberg	10	10	3	3
Peter B St George	10	10	3	3

1. Ceased directorship 24 October 2017.

2. Commenced directorship on 1 September 2017.

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

The table below shows Non-Executive Directors' attendances at Board Committee meetings of which they were a member during the year ended 30 June 2018.

	Board Audit Committee		Board Risk Committee		Board Nomination Committee		Board People and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
W Richard Sheppard	–	–	–	–	4	4	5	5
Elizabeth A Alexander, AM <sup>1</sup>	1	1	–	–	–	–	–	–
Penny Bingham-Hall	–	–	4	4	4	4	5	5
John C Conde, AO	3	3	–	–	4	4	1	1
Tonianne Dwyer	4	4	4	4	–	–	–	–
The Hon. Nicola L Roxon <sup>2</sup>	–	–	3	3	–	–	4	4
Mark Ford	4	4	4	4	–	–	–	–
Peter B St George	4	4	4	4	–	–	–	–

1. Ceased directorship 24 October 2017.

2. Commenced directorship on 1 September 2017.

Elizabeth A Alexander and Tonianne Dwyer were also Directors of Dexus Wholesale Property Limited (DWPL) and attended DWPL Board meetings during the year ended 30 June 2018. John Conde joined as a Director of Dexus Wholesale Property Limited (DWPL) on 25 October 2017.

## Remuneration Report

The Remuneration Report that forms part of this Directors' Report is provided on pages 24-42 of this Annual Report.

## 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	70,090
Penny Bingham-Hall	16,534
John C Conde, AO	16,667
Tonianne Dwyer	16,667
Mark Ford	1,667
The Hon. Nicola L Roxon	Nil
Darren J Steinberg <sup>1</sup>	1,219,571
Peter B St George	17,333

1. Includes interests held directly and through performance rights (refer note 22).

## Operating and financial review

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the operating and financial review on pages 43-52 of this financial 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
Penny Bingham-Hall	BlueScope Steel Limited	29 March 2011
	Fortescue Metals Group Ltd	16 November 2016
John C Conde, AO	Whitehaven Coal Limited	3 May 2007
	Cooper Energy Limited	25 February 2013
Tonianne Dwyer	Cardno Limited <sup>1</sup>	25 June 2012
	Metcash Limited	24 June 2014
	ALS Limited	1 July 2016
	Oz Minerals Limited	21 March 2017
The Hon. Nicola L Roxon	Lifestyle Communities Limited	1 September 2017
Peter B St George	First Quantum Minerals Limited <sup>2</sup>	20 October 2003
Mark Ford	Kiwi Property Group Limited <sup>3</sup>	16 May 2011

1. Directorship ceased 27 January 2016.

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

3. Listed for trading on the New Zealand Stock Exchange since 22 December 2014.

## 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 2018 was \$14,017.3 million (2017: \$12,270.1 million). Details of the basis of this valuation are outlined in the Notes to the 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 Financial Statements accompanying this Directors' Report would be unreasonably prejudicial to the Group.

## Significant changes in the state of affairs

The Directors are not aware of any matter or circumstance not otherwise dealt with in this Directors' Report or the 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.

## Directors' report continued

### Matters subsequent to the end of the financial year

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

### Distributions

Distributions paid or payable by the Group for the year ended 30 June 2018 were 47.8 cents per security (2017: 45.47 cents per security) as outlined in note 7 of the Notes to the 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 2018. Details are outlined in note 23 of the Notes to the 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 2018 are detailed in note 16 of the Notes to the Financial Statements and form part of this Directors' Report.

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

The DXFM Board has approved a grant of performance rights of DXS stapled securities to eligible participants. Details of the performance rights awarded during the financial year are detailed in note 22. The Group did not have any options on issue as at 30 June 2018 (2017: nil).

### Environmental regulation

The Group's senior management, through its 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 20 of the Notes to the 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
- 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 58 and forms part of this Directors' Report.

### Corporate governance

DXFM's Corporate Governance Statement is available at: [www.dexus.com/corporategovernance](http://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 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 Financial Statements were authorised for issue by the Directors on 14 August 2018.



**W Richard Sheppard**  
Chair  
14 August 2018



**Darren J Steinberg**  
Chief Executive Officer  
14 August 2018