Directors' Report

Remuneration Report

We are pleased to share our remuneration report which focuses on our remuneration strategy and outcomes, in addition to our people and culture highlights for the financial year ending 30 June 2018.

This year, Dexus delivered strong results across all key financial metrics and achieved sustained performance improvements across non-financial areas including the customer net promoter score, safety, employee engagement and environmental sustainability.

At Dexus, we also focus on building a great workplace and corporate culture to support our business strategy and ensure that decisions contribute to sustainable long-term returns. To drive genuine diversity of thought and experience across the group, we launched a new gender diversity target of 40% female representation, 40% male representation and 20% either male or female representation across senior manager roles and above, to be reached by 30 June 2021.

To achieve alignment of interests with our security holders and strengthen engagement within Dexus, our remuneration structure includes deferral of an equity component of the short-term incentive (STI) over 1 and 2 years and long-term incentives (LTI) vesting over 3 and 4 years. And from FY19, we have established a new guideline that will result in Executive Key Management Personnel (KMP) being required to maintain a minimum DXS security holding equivalent to 150% of fixed remuneration for the CEO and 75% of fixed remuneration for other executive KMP.

In FY18, remuneration benchmarking across A-REIT competitors and other companies highlighted that fixed remuneration and the maximum potential opportunity for LTI at Dexus was below our market comparators of similar size and complexity. The Board has agreed to increase the maximum available LTI, delivered as Performance Rights, to ensure that the total remuneration opportunity remains competitive.

In FY18, STI outcomes across the balanced scorecard for KMP were above target, resulting in STIs being awarded to KMP at an average 86% of their maximum potential. All of the four performance hurdles for the LTI plans that vested during FY18 were achieved in full as determined by the Board.

There are no changes proposed to Non-Executive Director remuneration for FY19.

As a Board we continue to set incentive targets which reflect our focus on delivering superior risk adjusted returns for investors and sustained performance over the long term. We also monitor the Dexus culture to ensure that behaviours reflect our values and that decisions are made in the best interests of all stakeholders.

Penny Bingham-Hall
Chair – People and Remuneration Committee

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

This Remuneration Report forms part of the Directors' Report and outlines the remuneration framework and outcomes for Key Management Personnel (KMP) for FY18.

The main objective of the People and Remuneration Committee (PRC) is to assist the Board in fulfilling its responsibilities by developing the remuneration strategy, framework and policies for Non-Executive Directors, Executive KMP and the Group Management Committee (GMC), for Board approval.

During FY18 the Committee

- Reviewed and validated the group's risk culture framework and metrics
- Monitored the staff engagement survey approach and results
- Reviewed and approved performance objectives and Key Performance Indicators for the CEO, KMP and other executives
- Reviewed company performance against business objectives and strategic goals
- Revised the diversity and inclusion strategy introducing a new gender diversity target of 40:40:20 by 2021
- Reviewed executive and key talent assessments for succession planning and talent management
- Introduced a new GMC minimum security holding guideline
- Undertook remuneration benchmarking for the CEO, KMP and other executives

During FY19 the Committee will focus on

- Monitoring talent and leadership development programs
- Monitoring culture metrics and outcomes
- Refreshing the group's diversity and inclusion strategy
- Monitoring and assessing group, CEO, KMP and other executives' performance
- Reviewing and approving the group balanced scorecard
- Continuing to monitor the Company's executive remuneration to support the business strategy

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1. Introduction

1.1 Key Management Personnel

In this report, Key Management Personnel (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
- Executive Directors
- Other Executives considered KMP

Executive Directors and other Executives considered KMP are referred to collectively as "Executive KMP" in this report. The below outlines KMP of the group during FY17 and FY18. There have been no changes to KMP since the end of the reporting period.

Independent Non-Executive Directors	KMP FY17	KMP FY18
W Richard Sheppard Non-Executive Chair	✔	✔
Elizabeth A Alexander AM Non-Executive Director	✔	To 24 October 2017
Penny Bingham-Hall Non-Executive Director	✔	✔
John C Conde AO Non-Executive Director	✔	✔
Tonianne Dwyer Non-Executive Director	✔	✔
Mark H Ford Non-Executive Director	From 1 November 2016	✔
Nicola Roxon Non-Executive Director	✗	From 1 September 2017
Peter B St George Non-Executive Director	✔	✔
Executive Directors		
Darren J Steinberg Executive Director and Chief Executive Officer	✔	✔
Craig D Mitchell Executive Director and Chief Operating Officer	To 15 July 2016	✗
Other Executives		
Alison C Harrop Chief Financial Officer	✔	✔
Ross G Du Vernet Chief Investment Officer	✔	✔
Kevin L George Executive General Manager, Office & Industrial	✔	✔
Deborah C Coakley Executive General Manager, Funds Management	✔	✔

2. Remuneration strategy and governance

2.1 Our remuneration strategy

Our Vision

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

Our Strategy

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

Our Remuneration Strategy

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

Remuneration principles

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

Alignment to performance
We reward for performance aligned with our business strategy

Market competitive
We position reward opportunity to attract and retain the best talent

Sustainable
We balance our financial and non-financial priorities

Simple and Transparent
We keep it simple and set clear expectations

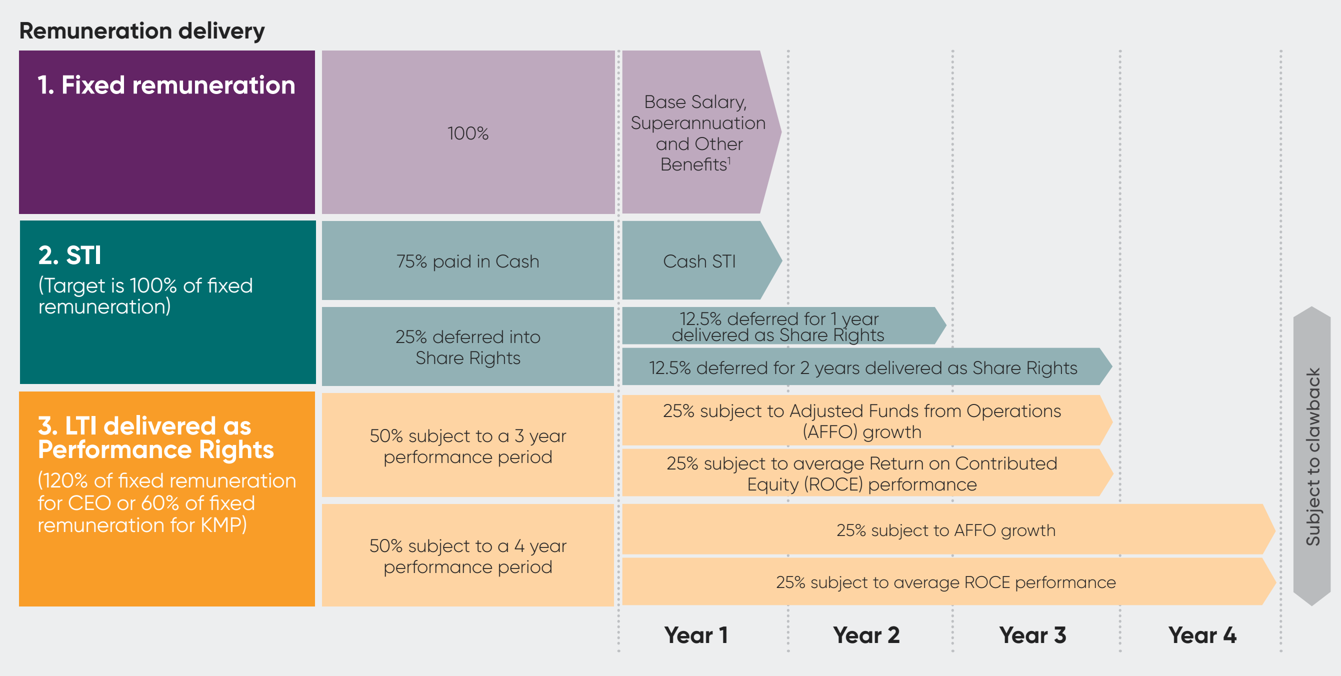
Executive Remuneration Components

Executive Remuneration Components	Fixed Remuneration	Short-Term Incentive	Long-Term Incentive
Purpose	Attract and retain executives with the capability and experience to deliver our strategy.	Reward for performance against annual objectives and key performance indicators (KPIs).	Align performance focus with the long-term business strategy to drive sustained earnings and security holder returns.
Link to performance	Motivation to drive a great culture and deliver on the business strategy.	Strategic annual objectives embedded in each executive's personalised scorecard of KPIs.	Performance hurdles are set by the Board over three and four year periods to deliver sustained security holder value.
Performance measures	Significant position accountabilities that support the execution of the business strategy.	Group financial, customer, culture, environment, risk, safety and other strategic objectives.	50% AFFO growth[1]; 50% ROCE[1]
Alignment	Attract and retain the best people.	Reward year-on-year performance achieved in a balanced and sustainable manner.	Encourage sustainable, long-term value creation.
Delivery	Competitive market based fixed remuneration. (Base Salary and Statutory Superannuation).	Annual cash payment (75%); Deferred Rights (25%)[2]: 12.5% 1 year, 12.5% 2 years	Performance Rights[3] with allocation calculated at Face Value: 50% 3 years, 50% 4 years

1. LTI grants prior to the 2016 Grant had the following four performance conditions: Funds from Operations (FFO) growth, average Return on Equity (ROE) relative ROE, relative Total Security holder Return (TSR). Adjusted Funds from Operations (AFFO) was introduced in 2015 and Return on Contributed Equity (ROCE) was introduced in 2016.
2. The deferred component is subject to clawback and requires continued employment during the vesting period.
3. There is no re-testing and the LTI is subject to forfeiture if: (1) performance conditions are not met, (2) the Executive terminates within 12 months of the grant date or (3) the Executive voluntarily resigns or is terminated for cause prior to vesting.

2.2 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 is positioned at the top quartile for outperformance. The following diagram (which is not to scale) sets out the remuneration structure and delivery timing for Executive KMP.

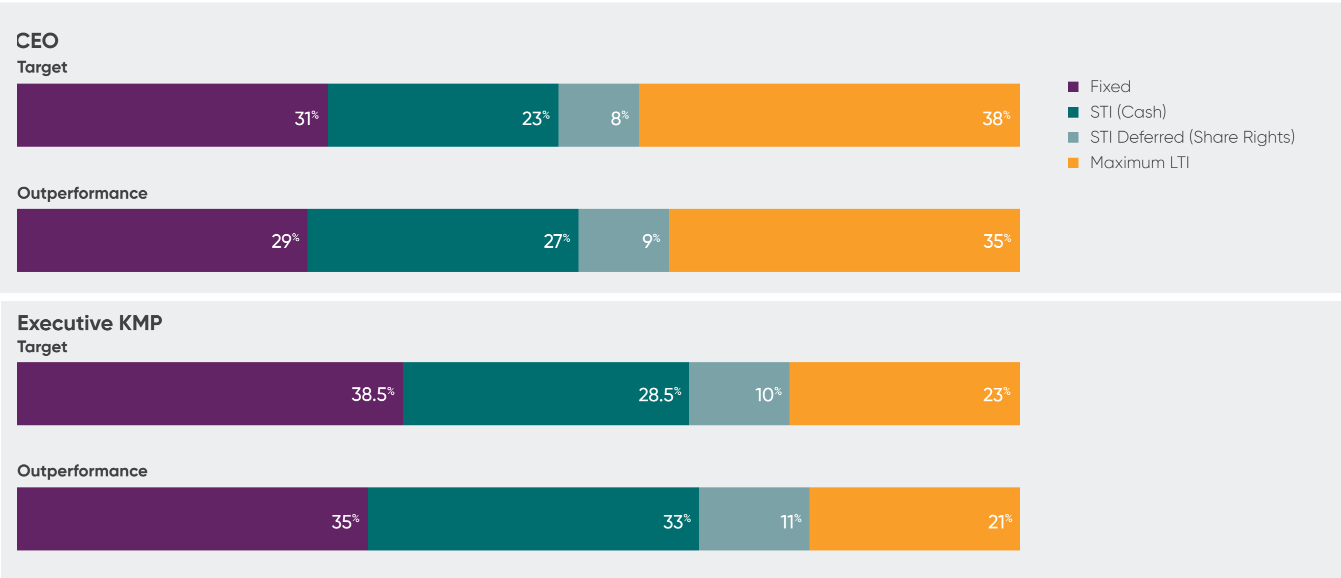


1. Other Benefits comprise wellbeing and insurance arrangements provided to all employees. These benefits do not flow into the STI and LTI calculations.

Remuneration mix

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

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



2.3 Changes for FY19

Executive remuneration

Fixed remuneration

In FY18, the PRC undertook executive remuneration benchmarking across A-REIT competitors and similar size companies. Total remuneration was found to be below our market comparators of similar size and complexity. To ensure the total remuneration opportunity remains competitive, the Board approved an average increase of 6.5% to Executive KMP (excluding the CEO) fixed remuneration for FY19. In FY19 there is no fixed remuneration increase for the CEO.

Long-term incentive (LTI)

The remuneration benchmarking across A-REIT competitors and similar sized companies highlighted that the maximum LTI opportunity at Dexus was below the market. The Board has agreed to increase the maximum LTI opportunity from 120% to 150% of fixed remuneration for the CEO[1] and from 60% to 75% of fixed remuneration for other KMP. The Board believes the change will improve the market competitiveness of our remuneration offering.

GMC minimum security holding guidelines

Introduction of a minimum security holding guideline

The introduction of this guideline requires the Chief Executive Officer (CEO), and members of Dexus's Group Management Committee (GMC), to build and maintain a holding of Dexus securities within 5 years. This guideline was introduced on 1 July 2018.

Minimum value of security holding as a percentage of fixed remuneration:

CEO = 150% **KMP = 75%** **Non-KMP = 50%**

2.4 Securities Trading Policy

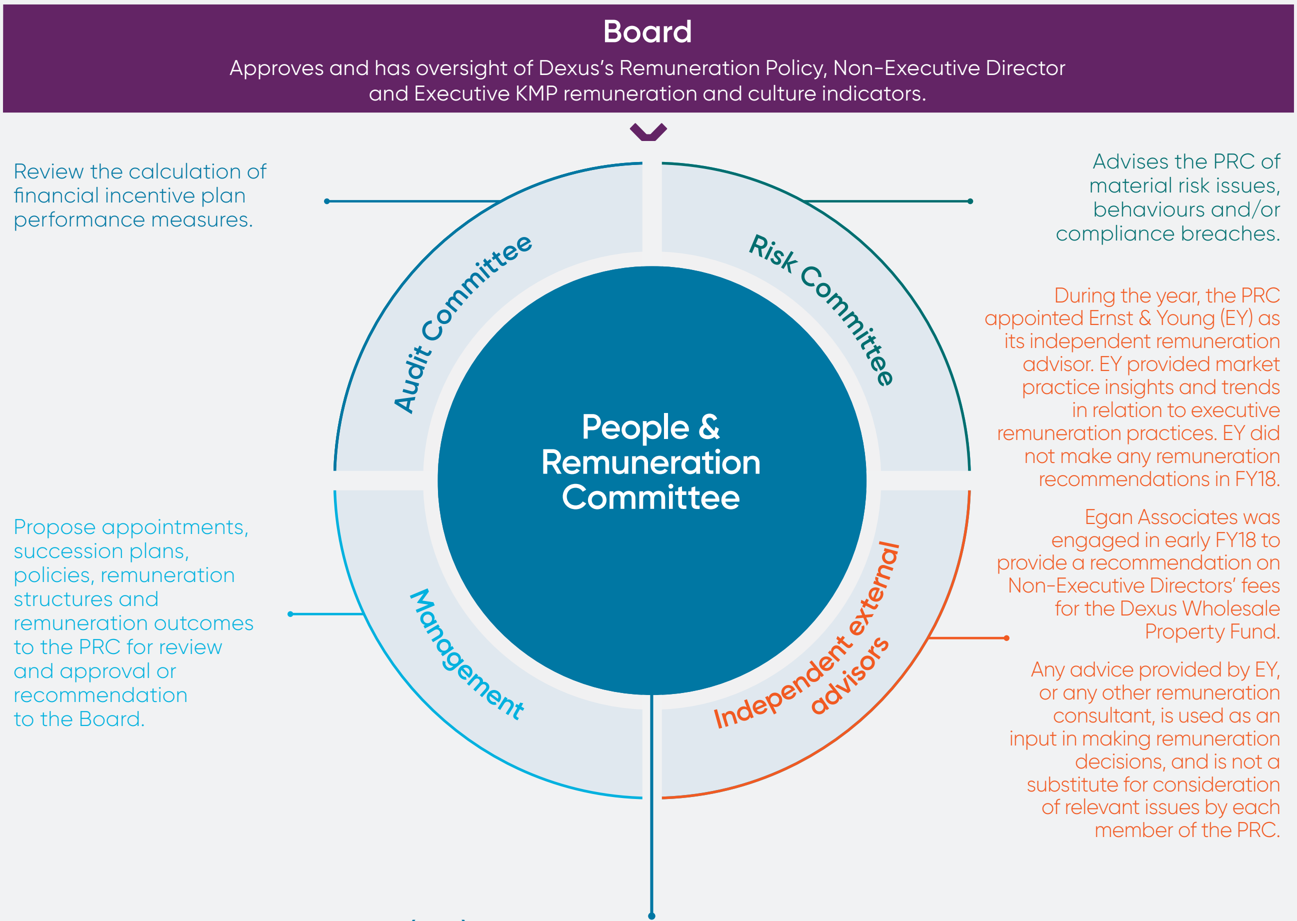
The Securities Trading Policy provides guidance to Directors, Employees (including Key Management Personnel), Contractors and Associates for ongoing compliance with legal obligations relating to trading or investing in financial products managed by Dexus.

The Policy prohibits employees from trading in financial products while they are in possession of Inside Information (non-public price sensitive information) and hedging their exposure to unvested DXS securities. Trading in DXS securities or related products is only permitted with the permission of the CEO.

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

1. Subject to approval at the 2018 Annual General Meeting.

2.5 Remuneration governance



People & Remuneration Committee (PRC)

The PRC is responsible for developing the remuneration strategy, framework and policies for Non-Executive Directors, Executive KMP and the Group Management Committee (GMC) for Board approval.

The responsibilities of the PRC are outlined in the PRC's Terms of Reference available at www.dexus.com/remuneration-committee, 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 Policy, which applies to Executive KMP, GMC members and all other Dexus employees
- Reviewing and approving the annual performance objectives 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 Diversity Principles
- Reviewing and approving processes for talent assessment, development and succession planning
- Reviewing processes and metrics for measuring culture

Members

The PRC comprises of three independent Non-Executive Directors: Penny Bingham-Hall (Chair), Nicola Roxon and Richard Sheppard. PRC members have experience in remuneration, leadership, human resources, risk management and compliance which enables effective oversight and governance of Dexus's remuneration framework. The PRC Chair, Penny Bingham-Hall, and Nicola Roxon are also members of the Board Risk Committee.

Meetings

The PRC is required to meet at least three times per year. In FY18, the PRC met five times to discuss and review remuneration and people-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.

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

- Financial performance is measured using audited financial measures
- Management provide detailed examples of how non-financial outcomes have been achieved
- Demonstration of the Dexus values and behaviours is considered
- External remuneration benchmarking is provided by independent external advisors

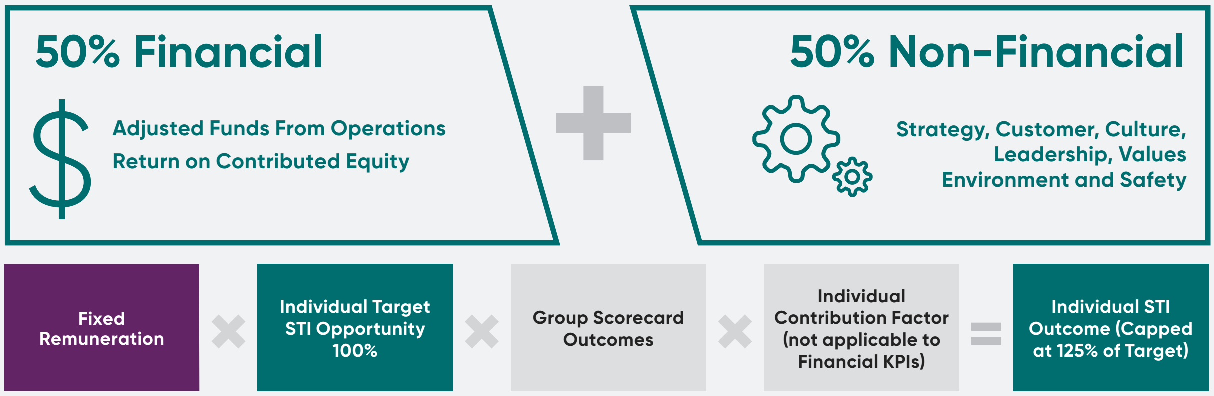
Under certain circumstances the PRC and Board may adjust proposed remuneration outcomes or clawback Rights issued under the Dexus LTI or STI Plans.

3. Remuneration structure

3.1 How performance translates into STI outcomes

The STI plan is aligned to security holder interests by:

- Encouraging executives to achieve year-on-year performance in a balanced and sustainable manner (i.e. through a mix of financial and non-financial performance measures)
- Mandatory deferral of 25% of each STI award into Rights acting as a retention mechanism



Each Executive KMP is awarded an individual STI outcome between zero and 125% of their target.
Scores are based on group performance and individual contribution.

STI plan structure

How much of the STI award is deferred?

25% of any award under the STI plan is deferred in the form of Rights to DXS securities.

The rights vest in two equal tranches, 1 and 2 years after being granted. Rights deferred under the STI plan are subject to clawback and continued employment during the vesting period.

The number of Rights awarded is based on 25% of the awarded STI value divided by the volume weighted average price (VWAP) of DXS 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.

DXS securities are purchased on market to satisfy the performance rights for the STI plan.

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

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

When are STI awards forfeited?

Forfeiture will occur should the participant's employment terminate within 6 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 for reasons such as retirement, redundancy, reorganisation, change in control or other unforeseen circumstances, the People & Remuneration Committee may recommend to the Board that the executive should remain in the plan as a 'good leaver'.

3.2 How performance translates into LTI outcomes

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 DXS securities**

The Board sets the performance conditions for the LTI plan on an annual basis. The two performance conditions under the LTI plan are Adjusted Funds From Operations (AFFO) per security growth (implied)[1] and average Return on Contributed Equity (ROCE). The ROCE calculation excludes the impact of asset revaluations. These performance conditions were selected to align the plan outcomes with commercial long-term performance that is within the executive's ability to influence.

AFFO per security growth and average ROCE performance hurdles are set by the Board and are in line with Dexus's target range through the cycle. Both the AFFO per security growth and average ROCE performance targets will be disclosed retrospectively at the end of the performance period. The group 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.

Adjusted Funds From Operations (AFFO)

50% of the award is subject to performance against the group's AFFO growth per security hurdle

AFFO is a key measure of growth and is calculated in line with the Property Council of Australia (PCA) definition. AFFO is Funds From Operations (FFO) as per the PCA's definition adjusted for maintenance capex, incentives (including rent free incentives) given to tenants during the period and other one-off items.

AFFO growth is measured as the implied[1] compound annual growth rate (CAGR) of the aggregate AFFO earnings per security over both the three and four year vesting periods.

Return on Contributed Equity (ROCE)

50% of the award is subject to performance against the group's average ROCE performance hurdle

ROCE represents the annualised average rate of return to security holders, calculated as a percentage, comprising AFFO together with the net tangible asset impact from completed developments, divided by the 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.

Vesting under both the AFFO growth and average ROCE measures are on a sliding scale per security against performance conditions set by the Board.

Performance	Vesting Outcome
Below Target performance	Nil vesting
Target performance	50% vesting
Between Target and Outperformance	Straight line vesting
Outperformance	100% vesting

LTI plan structure

How is the number of Performance Rights determined?

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

The maximum LTI opportunity is set at 120% of fixed remuneration for the CEO, 60% for other Executive KMP and 36% for other participants. In FY19 the maximum LTI opportunity will increase to 150% of fixed remuneration for the CEO and 75% for Executive KMP.

Do participants receive distributions on unvested LTI awards?

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

When are LTI awards forfeited?

If the performance conditions are not met, Performance Rights relating to that tranche will be forfeited. There is no retesting of forfeited Rights. Performance rights are subject to clawback at the discretion of the Board.

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 for reasons such as retirement, redundancy, reorganisation, change in control or other unforeseen circumstances, the People & Remuneration Committee may recommend for approval by the Board that the participant remain in the plan as a 'good leaver'.

How is the LTI plan administered?

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

DXS securities are purchased on market (for all participants including the CEO) to satisfy the performance rights for the LTI plan.

The Board retains the right to amend, suspend or cancel the LTI plan at any time.

1. The implied compound annual growth rate refers to the nominal growth per annum that is required to achieve the target AFFO earnings per security over the vesting period.

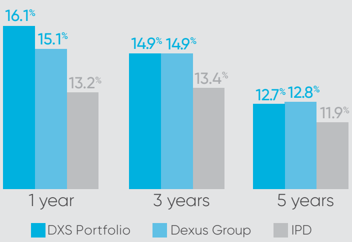
4. FY18 Dexus performance highlights

Five year performance		FY18	FY17	FY16	FY15	FY14
Funds From Operations (FFO)	($m)	**653.3**	617.7	610.8	544.5	446.6
Adjusted Funds From Operations (AFFO)	($m)	**485.5**	439.7	413.9	369.8	310.7
Net Profit After Tax	($m)	**1,728.9**	1,264.2	1,259.8	618.7	406.6
AFFO per security	(cents)	**47.7**	45.4	42.7	40.4	37.9[6]
Distribution per security	(cents)	**47.8**	45.47	43.51	41.04	37.56[6]
Return on Equity (ROE)	(%)	**19.8**	18.2	19.3	11.5	6.7
Return on Contributed Equity (ROCE)	(%)	**7.6**	7.6	n/a	n/a	n/a
Closing Dexus security price	($)	**9.71**	9.48	9.02	7.30	6.66[6]
NTA per security	($)	**9.64**	8.45	7.53	6.68	6.36[6]
Gearing (look-through)	(%)	**24.1**	26.7[1]	30.7	28.5	33.7
Customer satisfaction score	(/10)	**8.3**	8.0	8.0	7.9	7.7
Females in senior management roles	(%)	**35**	33	29	26	26
Listed office portfolio average NABERS Energy rating	(stars)	**4.9**	4.8	4.8	4.7	4.6

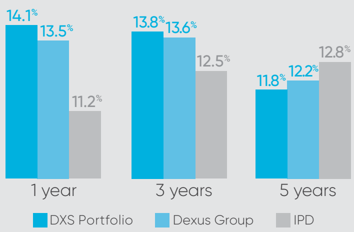
87%

Employee engagement score[2]

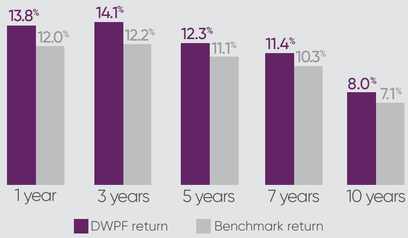
Dexus Office portfolio performance vs IPD[3]



Dexus Industrial portfolio performance vs IPD[3]



Dexus Wholesale Property Fund performance[4]

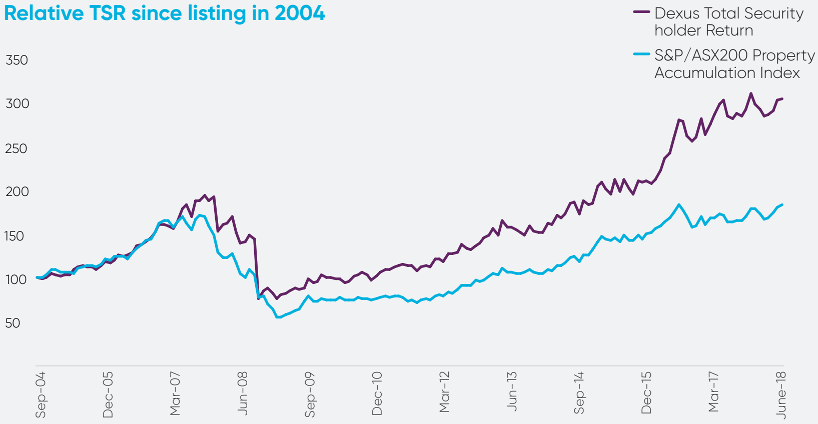


Total Security holder return (TSR)

	1 Year	3 Years*	5 Years*	10 Years*
Dexus	7.5% p.a.	15.5% p.a.	14.4% p.a.	8.4% p.a.
S&P/ASX 200 Property Accumulation Index	13.0% p.a.	9.7% p.a.	12.0% p.a.	6.0% p.a.

Source: UBS Australia as at June 2018. *Annual compound returns.

Relative TSR since listing in 2004



Source: UBS Australia for year to 30 June 2018.

Distribution and AFFO per security growth

5.1%

Return on Contributed Equity

7.6%

Customer Net Promoter Score[5]

+32

Progressed minimum 5 star NABERS Energy rating across

89%

of the office portfolio towards target of 1,000,000 sqm by 2020

1. FY17 pro forma gearing is adjusted for post 30 June 2017 acquisitions.
2. Employee engagement score maintained top quartile performance.
3. As at 31 March 2018.
4. As at 30 June 2018.
5. The Net Promoter Score (NPS) is calculated as the difference between the percentage of Promoters and Detractors. The NPS is not expressed as a percentage but as an absolute number between -100 and +100.
6. In November 2014, Dexus completed a one-for-six security consolidation and this number has been adjusted to reflect this.

5. FY18 CEO performance

The below summarises the CEO's performance relative to the FY18 CEO performance scorecard.

Key: Culture | Alignment to performance | Market competitive | Sustainable | Simple and transparent

Strategic objectives	Remuneration principle	CEO weighting	Result	Performance detail
Financial performance				
Group Financial Performance - Adjusted Funds from Operations (AFFO) growth - Return on Contributed Equity (ROCE) - Return on Equity (ROE)		50%	Outperformance Below Target Above	- AFFO per security growth = 5.1% - ROCE = 7.6% - ROE = 19.8%
Non-Financial performance				
Leadership in Office - Outperform 3 and 5-year Property Fund Index (IPD) returns - Improve office customer Net Promoter Score (NPS) - Develop workspace capabilities - Introduce new customers to the platform		15%	Target Below Target Above	- Dexus and group office portfolios outperformed IPD over 1, 3 and 5-year time periods - Office customer NPS increased from +31 to +33 - Developed workspace capability plan - Launched 5 new customer initiatives - Added more than 220 new customers to the platform
Funds Management Partner of Choice - Outperform 3 and 5-year benchmarks - Launch and achieve targets for Healthcare Fund		15%	Target Below Target Above	- All funds performed strongly with DWPF achieving top quartile performance - Completed first round equity raising for Healthcare Wholesale Property Fund - Planning underway that will see the launch of new unlisted funds or partnerships over the next 12–18 months
Customer, Culture and Environment - Increase brand recognition - Improve culture and engagement indicators - Improve overall customer NPS - Maintain strong investor relationships - Increase Corporate Responsibility & Sustainability awareness and rankings in industry surveys		7.5%	Outperformance Below Target Above	- Increased brand perception and recognition - Improved employee engagement score to 87% from 84% - Increased overall customer NPS to +32 from +31 - Maintained strong investor perception ratings - Achieved 1st ranking in global listed office category and 3rd overall in 2017 GRESB survey - Launched new goal to reach Net Zero emissions by 2030
Safety - Provide a safe work environment with zero fatalities - Safety audit score above 85%		5%	Target Below Target Above	- Improved safety culture across the group - Zero fatalities - Achieved an average safety audit score of 97%
Values and behaviours - Role model values, leadership behaviours, collaboration and inclusiveness		7.5%	Outperformance Below Target Above	- Led internal initiatives focused on leadership development and culture - Recognition through citations including WGEA Employer of Choice for Gender Equality 2018 - Achieved gender diversity targets and established new 40:40:20 target - Achieved gender pay equity in like-for-like roles

6. Remuneration outcomes

6.1 STI awards for FY18 performance

The STI awards made to each Executive KMP with respect to their performance during the year ended 30 June 2018 are provided below. The 75% cash component will be paid in August 2018 following the approval of statutory accounts and announcement of the group's annual results. This payment will form a part of the FY19 cash earnings for Executive KMP.

Executive KMP	STI target % of fixed remuneration	STI max % of fixed remuneration	STI award ($)	% of target STI awarded	% of maximum STI awarded	% of maximum STI forfeited	% of STI award deferred
Darren J Steinberg	100%	125%	1,840,000	115%	92%	8%	25%
Ross G Du Vernet	100%	125%	770,000	110%	88%	12%	25%
Kevin L George	100%	125%	735,000	105%	84%	16%	25%
Alison C Harrop	100%	125%	708,750	105%	84%	16%	25%
Deborah C Coakley	100%	125%	603,750	105%	84%	16%	25%

6.2 Deferred STI and LTI grants

The number of Rights granted to Executive KMP is determined by dividing the Deferred STI value and LTI grant value by the VWAP of DXS securities ten trading days either side of 1 July 2018, which was $9.87759. The minimum value of the grant is nil if the performance conditions are not met. The maximum value is based on the estimated fair value calculated at the time of grant and amortised in accordance with the accounting standard requirements.

The below details the number of Rights granted to Executive KMP on 1 July 2018 under the Deferred STI and LTI plans.

DXS securities relating to Deferred STI and 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.

Executive KMP	Plan name	Maximum Award as a % of fixed remuneration	Performance measure	Number of Rights granted	Fair value per performance right $[1]	Maximum total value of grant $[2]	1st Vesting date 50%	2nd Vesting date 50%
Darren J Steinberg	Deferred STI	25%	Nil	46,570	9.88	459,999	1 July 2019	1 July 2020
	LTI	150%	AFFO	121,487	8.18[1]	993,764	1 July 2021	1 July 2022
			ROCE	121,487		993,764		
Ross G Du Vernet	Deferred STI	25%	Nil	19,488	9.88	192,494	1 July 2019	1 July 2020
	LTI	75%	AFFO	28,473	8.18[1]	232,909	1 July 2021	1 July 2022
			ROCE	28,473		232,909		
Kevin L George	Deferred STI	25%	Nil	18,602	9.88	183,743	1 July 2019	1 July 2020
	LTI	75%	AFFO	28,473	8.18[1]	232,909	1 July 2021	1 July 2022
			ROCE	28.473		232,909		
Alison C Harrop	Deferred STI	25%	Nil	17,938	9.88	177,184	1 July 2019	1 July 2020
	LTI	75%	AFFO	27,524	8.18[1]	225,146	1 July 2021	1 July 2022
			ROCE	27,524		225,146		
Deborah C Coakley	Deferred STI	25%	Nil	15,280	9.88	150,930	1 July 2019	1 July 2020
	LTI	75%	AFFO	22,778	8.18[1]	186,324	1 July 2021	1 July 2022
			ROCE	22,778		186,324		

1. Fair value for the Deferred STI reflects the number of rights multiplied by the VWAP of DXS securities 10 days either side of 1 July 2018 ($9.87759). Fair value for the LTI reflects the average valuation ($8.18) of both tranches as provided by EY under the Black-Scholes Analytic model. Tranche 1 was valued at $8.38 and tranche 2 was valued at $7.98.
2. The maximum total value of the grant reflects the numbers of rights granted multiplied by the fair value per performance right.

6.3 Performance of LTI awards which vested during FY18

AFFO and ROCE were established as the performance hurdles in 2016, simplifying the plan and providing greater LTI plan alignment with the business strategy and the metrics that drive long-term company performance. Prior grants had four performance hurdles including two relative measures (TSR and ROE). The comparator group included specified comparators for 2013 and prior years but transitioned to the following indexes from 2014:

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

The second tranche of the 2013 LTI plan and the first tranche of the 2014 LTI plan vested for participating Executive KMP on 1 July 2017. The vesting outcome of 100% for both tranches was determined by the Board, referencing the previously approved performance hurdles.

Results of each performance condition for the second tranche of the 2013 LTI Plan:

Performance condition	Weighting	Hurdle range	Group result	Vesting outcome
Funds from Operations growth[1]	25%	3.0% to 5.5%	8.1%	25%
Average Return on Equity[2]	25%	9.0% to 11.0%	13.2%	25%
Relative Total Security holder Return[3]	25%	Median to 75th percentile	2nd out of 6	25%
Relative Return on Equity[4]	25%	Median to 75th percentile	2nd out of 7	25%
			Overall Result	**100%**

Results of each performance condition for the first tranche of the 2014 LTI Plan:

Performance condition	Weighting	Hurdle range	Group result	Vesting outcome
Funds from Operations growth[5]	25%	4.0% to 6.0%	6.8%	25%
Average Return on Equity[6]	25%	9.0% to 10.0%	15.3%	25%
Relative Total Security holder Return[7]	25%	Median to 75th percentile	2nd out of 17	25%
Relative Return on Equity[8]	25%	Median to 75th percentile	2nd out of 14	25%
			Overall Result	**100%**

1. Funds from Operations (FFO) growth hurdle was measured on a linear scale for testing, with a 3.0% Compound Annual Growth Rate (CAGR) set as the Target (where 50% would vest) and 5.5% set as the Outperformance hurdle (where 100% would vest). Dexus's FFO growth result over the four-year performance period was 8.1% resulting in full vesting from this performance condition.
2. Average Return on Equity (ROE) hurdle was measured on a linear scale for testing, with a 9.0% simple ROE average set as the target (where 50% would vest) and 11.0% set as the Outperformance hurdle (where 100% would vest). Dexus's average ROE result was 13.2% over the four-year performance period, resulting in full vesting from this performance condition.
3. Relative Total Security Holder Return (TSR) was measured with reference to the TSR percentile rank of DXS against a comparator group of listed A-REIT peers Investa Office Fund, SCA Property Group, The GPT Group, Vicinity Centres and Cromwell Property Group. A median rank was set as the Target (where 50% would vest) and a 75th percentile or better rank was set as the Outperformance hurdle (where 100% would vest). Dexus's relative TSR rank of 2nd out of 6 listed A-REIT peers over the four-year performance period, resulted in full vesting from this performance condition.
4. Relative ROE was measured with reference to the average ROE result achieved by DXS against a comparator group of unlisted property funds GPT Wholesale Office Fund, ISPT Core Fund, Australian Prime Property Commercial Fund, AMP Capital Wholesale Office Fund, QIC Property Fund and Australian Prime Property Retail Fund. A median rank was set as the Target (where 50% would vest) and a 75th percentile or better rank was set as the Outperformance hurdle (where 100% would vest). Dexus's relative ROE rank of 2nd out of 7 unlisted property peers over the four-year performance period, resulted in full vesting from this performance condition.
5. FFO growth hurdle was measured on a linear scale for testing, with a 4.0% CAGR set as the Target (where 50% would vest) and 6.0% set as the Outperformance hurdle (where 100% would vest). Dexus's FFO growth result over the three-year performance period was 6.8% resulting in full vesting from this performance condition.
6. Average ROE hurdle was measured on a linear scale for testing, with a 9.0% simple ROE average set as the Target (where 50% would vest) and 10.0% set as the Outperformance hurdle (where 100% would vest). Dexus's average ROE result was 15.3% over the three-year performance period, resulting in full vesting from this performance condition.
7. Relative TSR was measured with reference to the TSR percentile rank of DXS against a comparator group comprising members of the S&P/ASX 200's A-REIT Index. A median rank was set as the target (where 50% would vest) and a 75th percentile or better rank was set as the Outperformance hurdle (where 100% would vest). Dexus's relative TSR rank of 2nd out of 17 listed A-REIT peers over the three-year performance period, resulted in full vesting from this performance condition.
8. Relative ROE was measured with reference to the average ROE result achieved by DXS against a comparator group comprising the members of the Mercer IPD Core Wholesale Property Fund Index. A median rank was set as the Target (where 50% would vest) and a 75th percentile or better rank was set as the Outperformance hurdle (where 100% would vest), Dexus's relative ROE rank of 2nd out of 14 unlisted property peers over the three-year performance period, resulted in full vesting from this performance condition.

6.4 Actual FY18 remuneration awarded

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 2018 in recognition of performance during FY18 (noting that 25% of the award is deferred and will be reported in future years)
- Deferred STI vested: the value of the deferred STI from prior years that vested on 1 July 2018 (being the number of rights that vested multiplied by the VWAP for the five days prior to the vesting date)
- LTI: the value of performance rights that vested on 1 July 2018 (being the number of performance rights that vested multiplied by the VWAP for the five days prior to the vesting date)

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

Executive	Cash salary ($)	Super-annuation benefits ($)	Other short term benefits ($)	STI cash payment ($)	Deferred STI – vested ($)	LTI – vested ($)	Total ($)
Darren J Steinberg	1,579,951	20,049	4,689	1,380,000	441,852	1,960,596	5,387,137
Ross G Du Vernet	679,951	20,049	2,042	577,500	176,411	354,862	1,810,815
Kevin L George	679,951	20,049	4,054	551,250	177,007	427,768	1,860,080
Alison C Harrop	654,951	20,049	5,340	531,563	142,789	109,838	1,464,530
Deborah C Coakley	554,951	20,049	2,236	452,813	137,648	177,323	1,345,019

6.5 Executive statutory remuneration

The total remuneration paid to Executive KMP for FY18 and FY17 is calculated in accordance with the AASB 124 Related Party Disclosures. Amounts shown under Long-term benefits reflect the accounting expense recorded during the year with respect to prior year deferred remuneration and awards that have or are yet to vest.

		Short-term benefits				Long-term benefits			Security-based benefits		
Executive KMP	Year	Cash salary ($)	STI cash award ($)	Annual Leave movement[1]	Other short-term benefits ($)	Super benefits ($)	Term-ination benefits ($)	Long Service Leave movement[1]	Deferred STI plan accrual ($)	LTI plan accrual ($)	Total ($)
Darren J Steinberg	**FY18**	1,579,951	1,380,000	(32,569)	4,689	20,049	–	31,995	428,351	1,502,853	4,915,319
	FY17	1,580,384	1,320,000	–	–	19,616	–	–	385,964	1,305,851	4,611,815
Craig D Mitchell[2]	**FY18**	–	–	–	–	–	–	–	–	–	–
	FY17	37,679	–	–	–	1,608	477,301	–	–	–	516,588
Ross G Du Vernet	**FY18**	679,951	577,500	(4,275)	2,042	20,049	–	13,771	176,723	316,129	1,781,890
	FY17	680,384	551,250	–	–	19,616	–	–	151,423	259,260	1,661,934
Kevin L George	**FY18**	679,951	551,250	(19,949)	4,054	20,049	–	34,318	173,247	333,083	1,776,004
	FY17	675,584	551,250	–	–	24,416	–	–	154,968	291,071	1,697,289
Alison C Harrop	**FY18**	654,951	531,563	(21,661)	5,340	20,049	–	–	155,775	260,401	1,606,445
	FY17	600,728	492,188	–	–	19,616	–	–	106,065	131,401	1,349,997
Deborah C Coakley	**FY18**	554,951	452,813	–	2,236	20,049	–	25,702	138,291	240,356	1,434,420
	FY17	545,900	431,250	–	–	29,100	–	–	101,912	123,019	1,231,181
Total	**FY18**	**4,149,755**	**3,493,125**	**(78,454)**	**18,362**	**100,244**	**–**	**105,786**	**1,072,387**	**2,652,823**	**11,514,207**
	FY17	4,120,659	3,345,938	–	–	113,971	477,301	–	900,333	2,110,602	11,068,804

1. Leave movements have been included for the first time in FY18 to improve disclosures. The accounting value of these 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 5 years service and the movement may be high in the first year of accrual.
2. Craig Mitchell ceased employment on 15 July 2016, with final payments made in early FY17.

7. Terms of KMP service agreements

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

	CEO	Other Executive KMP
Employment agreement	An ongoing Executive Service Agreement or individual contract.	
Termination by the Executive	Termination by Mr Steinberg requires a 6 month notice period. The group may choose to place Mr Steinberg on 'leave' or make a payment in lieu of notice at the Board's discretion. All unvested STI and LTI awards are forfeited in this circumstance.	Termination by other Executive KMP requires a 3 month notice period. The group may choose to place the Executive on 'leave' or make a payment in lieu of notice at the Board's discretion. All unvested STI and LTI awards are forfeited in this circumstance.
Termination by the group without cause	If the group terminates the Executive without cause, the Executive is entitled to a combined maximum notice and severance payment of 12 months fixed remuneration. The Board may (in its absolute discretion) also approve a pro-rata STI payment. Depending on the circumstances, the Board has the ability to treat the Executive as a 'good leaver', which may result in the Executive retaining some or all of the unvested Deferred STI or LTI.	
Termination by the group with cause	No notice or severance is payable.	
Other contractual provisions and restrictions	All KMP service agreements include standard clauses covering intellectual property, confidentiality, moral rights and disclosure obligations.	

8. Non-Executive Directors' remuneration

8.1 Changes for FY19

There are no changes proposed to Non-Executive Directors' remuneration in FY19.

8.2 Non-Executive Directors' remuneration

Non-Executive Directors' 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 A-REITs
- Information supplied by external remuneration advisors, including EY

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

The Board fee structure (inclusive of statutory superannuation contributions) for FY17 and FY18 is provided below.

Committee	Year	Chair ($)	Member ($)
Director's Base Fee (DXFM)	**FY18**	400,000[1]	170,000
	FY17	400,000[1]	170,000
Board Risk Committee	**FY18**	30,000	15,000
	FY17	30,000	15,000
Board Audit Committee	**FY18**	30,000	15,000
	FY17	30,000	15,000
Board Nomination Committee	**FY18**	15,000	7,500
	FY17	15,000	7,500
Board People & Remuneration Committee	**FY18**	30,000	15,000
	FY17	30,000	15,000
DWPL Board	**FY18**	n/a[2]	30,000
	FY17	55,000	22,500

1. The Board Chair receives a single fee for service, including service on Board Committees.
2. In 2018 the DWPF Chair was transitioned to a third party Non-Executive Director role. Effective 1 April 2018, the member fees for the DWPF Board were increased from $22,500 to $30,000.

Total fees paid to Non-Executive Directors for the year ended 30 June 2018 remained within the aggregate fee pool of $2,500,000 per annum which was approved by security holders at the AGM in October 2017.

8.3 Non-Executive Directors' security holding requirement

Non-Executive Directors are expected to hold a minimum of 16,500 DXS securities. Newly appointed Directors are expected to acquire the minimum security holding within three years of their appointment.

Securities held by Non-Executive Directors are subject to the group's security and insider trading policies. No additional remuneration is provided to Directors to purchase these securities.

As at 30 June 2018, all Directors met the minimum security holding requirement, except for Mr Ford who has until 2020 and Ms Roxon who has until 2021 to satisfy this requirement. The relevant interests of each Non-Executive Director in DXS securities are shown in section 8.5.

8.4 Non-Executive Directors' remuneration table

This summary of the actual cash and benefits received by each Non-Executive Director for the year ended 30 June 2018 is prepared in accordance with AASB 124 Related Party Disclosures.

Non-Executive Director	Year	Short-term benefits[1] ($)	Post employment benefits (superannuation) ($)	Other long-term benefits ($)	Total ($)
W Richard Sheppard	**FY18**	379,951	20,049	–	400,000
	FY17	380,384	19,616	–	400,000
Elizabeth A Alexander AM	**FY18**	173,516	16,484	–	190,000
	FY17	210,384	21,206	–	231,591
Penny Bingham-Hall	**FY18**	198,396	18,653	–	217,049
	FY17	189,008	17,956	–	206,964
John C Conde AO	**FY18**	194,635	18,490	–	213,125
	FY17	189,498	18,002	–	207,500
Tonianne Dwyer	**FY18**	221,097	20,227	–	241,324
	FY17	217,884	19,616	–	237,500
Mark H Ford	**FY18**	184,610	17,352	–	201,962
	FY17	117,199	11,134	–	128,333
Nicola Roxon	**FY18**	143,706	13,592	–	157,298
	FY17	–	–	–	–
Peter B St George	**FY18**	196,347	18,653	–	215,000
	FY17	196,347	18,653	–	215,000
Total	**FY18**	**1,692,258**	**143,500**	**–**	**1,835,758**
	FY17	1,500,706	126,183	–	1,626,888

1. Includes Director fees and insurance contributions.

8.5 Security movements

Non-Executive Director	Number of securities held at 1 July 2017	Movement	Number of securities held at 30 June 2018	Minimum number of securities[1]
W Richard Sheppard	70,090	nil	70,090	16,500
Elizabeth A Alexander AM	16,667	nil	16,667	16,500
Penny Bingham-Hall	16,534	nil	16,534	16,500
John C Conde AO	16,667	nil	16,667	16,500
Tonianne Dwyer	16,667	nil	16,667	16,500
Mark H Ford[2]	1,667	nil	1,667	16,500
Nicola Roxon[3]	–	nil	–	16,500
Peter B St George	17,333	nil	17,333	16,500

1. Directors are required to attain the minimum number of securities within three years of appointment.
2. Mark H Ford was recently appointed to the Board and has until 2020 to attain the minimum number of securities.
3. Nicola Roxon was recently appointed to the Board and has until 2021 to attain the minimum number of securities.

9. Additional disclosures

9.1 Performance of LTI awards vesting in FY19

On 1 July 2018, the second tranche of the 2014 LTI plan and the first tranche in the 2015 LTI plan vested for participating Executive KMP.

The vesting outcome was determined by the Board, referencing the previously approved performance hurdles set and communicated to participants upon the original Grant Dates of 1 July 2014 and 1 July 2015 respectively.

Results of each performance condition within tranche 2 of the 2014 LTI plan:

Performance condition	Weighting	Hurdle range	Group result	Vesting outcome
Funds from Operations growth	25%	4.0% to 6.0%	5.7%	93.1%
Average Return on Equity	25%	9.0% to 10.0%	19.9%	100%
Relative Total Security Holder Return	25%	Median to 75th percentile	6th of 17	87.5%
Relative Return on Equity	25%	Median to 75th percentile	2nd of 16	100%
			Overall Result	**95.15%**

Results of each performance condition within tranche 1 of the 2015 LTI plan:

Performance condition	Weighting	Hurdle range	Group result	Vesting outcome
Adjusted Funds from Operations growth	25%	3.0% to 5.0%	5.8%	100%
Average Return on Equity	25%	9.0% to 10.0%	19.1%	100%
Relative Total Security Holder Return	25%	Median to 75th percentile	5th of 17	100%
Relative Return on Equity	25%	Median to 75th percentile	2nd of 16	100%
			Overall Result	**100%**

Further details and quantification in dollars of these vesting tranches will be provided in the FY19 Remuneration Report.

9.2 Deferred STI and LTI awards which vested during FY18

The summary below outlines the number of Rights which vested under the Deferred STI and LTI plans during FY18. The vesting date for all Rights was 1 July 2017. No rights lapsed during FY18.

Executive KMP	Plan name	Grant date	Tranche	Number of Rights which vested	Market value at vesting[1] ($)
Darren J Steinberg	Deferred STI	1/07/2015	2	26,200	258,616
		1/07/2016	1	20,333	200,703
	LTI	1/07/2013	2	94,015	928,013
		1/07/2014	1	102,971	1,016,416
Ross G Du Vernet	Deferred STI	1/07/2015	2	9,193	90,742
		1/07/2016	1	7,705	76,056
	LTI	1/07/2013	2	19,751	194,960
		1/07/2014	1	18,388	181,506
Kevin L George	Deferred STI	1/07/2015	2	10,572	104,354
		1/07/2016	1	7,762	76,691
	LTI	1/07/2013	2	27,177	268,261
		1/07/2014	1	22,985	226,883
Alison C Harrop[2]	Deferred STI	1/07/2015	2	2,206	21,778
		1/07/2016	1	5,451	53,803
Deborah C Coakley	Deferred STI	1/07/2015	2	5,516	54,445
		1/07/2016	1	5,993	59,155
	LTI	1/07/2013	2	9,480	93,576
		1/07/2014	1	8,826	87,121

1. Market value at vesting is the VWAP of DXS securities for the five day period before the vesting date.
2. Alison Harrop was not employed at the time of the 2013 or 2014 LTI grant.

9.3 KMP unvested security rights outstanding

The table below shows the number of unvested Rights held by Executive KMP as at 30 June 2018 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 type	Grant date	Vesting date	Tranche	Number of Rights
Darren J Steinberg	Deferred STI	1/07/2016	1/07/2018	2	19,488
		1/07/2017	1/07/2018	1	22,556
		1/07/2017	1/07/2019	2	22,556
	LTI	1/07/2014	1/07/2018	2	102,971
		1/07/2015	1/07/2018	1	101,689
		1/07/2015	1/07/2019	2	101,689
		1/07/2016	1/07/2019	1	98,466
		1/07/2016	1/07/2020	2	98,466
		1/07/2017	1/07/2020	1	98,426
		1/07/2017	1/07/2021	2	98,426
Ross G Du Vernet	Deferred STI	1/07/2016	1/07/2018	2	7,385
		1/07/2017	1/07/2018	1	9.420
		1/07/2017	1/07/2019	2	9,420
	LTI	1/07/2014	1/07/2018	2	18,388
		1/07/2015	1/07/2018	1	18,643
		1/07/2015	1/07/2019	2	18,643
		1/07/2016	1/07/2019	1	19,693
		1/07/2016	1/07/2020	2	19,693
		1/07/2017	1/07/2020	1	21,531
		1/07/2017	1/07/2021	2	21,531
Kevin L George	Deferred STI	1/07/2016	1/07/2018	2	7,440
		1/07/2017	1/07/2018	1	9,420
		1/07/2017	1/07/2019	2	9,420
	LTI	1/07/2014	1/07/2018	2	22,985
		1/07/2015	1/07/2018	1	21,694
		1/07/2015	1/07/2019	2	21,694
		1/07/2016	1/07/2019	1	21,006
		1/07/2016	1/07/2020	2	21,006
		1/07/2017	1/07/2020	1	21,531
		1/07/2017	1/07/2021	2	21,531
Alison C Harrop	Deferred STI	1/07/2016	1/07/2018	2	5,224
		1/07/2017	1/07/2018	1	8,410
		1/07/2017	1/07/2019	2	8,410
	LTI	1/07/2015	1/07/2018	1	11,186
		1/07/2015	1/07/2019	2	11,186
		1/07/2016	1/07/2019	1	18,052
		1/07/2016	1/07/2020	2	18,052
		1/07/2017	1/07/2020	1	19,224
		1/07/2017	1/07/2021	2	19,224

9.3 KMP unvested security rights outstanding continued

Executive KMP	Plan type	Grant date	Vesting date	Tranche	Number of Rights
Deborah C Coakley	Deferred STI	1/07/2016	1/07/2018	2	5,744
		1/07/2017	1/07/2018	1	7,369
		1/07/2017	1/07/2019	2	7,369
	LTI	1/07/2014	1/07/2018	2	8,826
		1/07/2015	1/07/2018	1	9,660
		1/07/2015	1/07/2019	2	9,660
		1/07/2016	1/07/2019	1	17,232
		1/07/2016	1/07/2020	2	17,232
		1/07/2017	1/07/2020	1	17,686
		1/07/2017	1/07/2021	2	17,686

9.4 Equity Investments

Held at 1 July 2017			Net Change			Held as at 30 June 2018				
Securities	Deferred STI	Total Balance[1]	Securities	Deferred STI	Total Balance[1]	Securities	Deferred STI	Total Balance[1]	Market value as at 30 June 2018 $[2]	Minimum security holding guideline $[3]
Darren J Steinberg										
211,317	63,127	274,444	243,519	1,473	244,992	454,836	64,600	519,436	5,100,530	2,400,000
Ross G Du Vernet										
77,228	23,244	100,472	24,038	2,980	27,018	101,266	26,224	127,490	1,251,874	562,500
Kevin L George										
63,113	24,625	87,738	–	1,654	1,654	63,113	26,279	89,392	877,772	562,500
Alison C Harrop										
–	12,482	12,482	–	9,563	9,563	–	22,045	22,045	216,468	543,750
Deborah C Coakley										
–	16,572	16,572	–	3,910	3,910	–	20,482	20,482	201,122	450,000

1. The following securities are included in the balance for the purpose of the guideline (1) Any DXS securities that the Executive or their related person or entity hold (e.g. Family Trust), (2) Securities that the Executive acquires on vesting of awards granted under Dexus's equity incentive plans; and (3) Unvested equity granted that the Executive holds under Dexus's equity incentive plans which are not subject to performance hurdles (e.g. deferred short-term incentives).
2. Market value as at 30 June 2018 is the VWAP of DXS securities for the five-day period up to and including 30 June 2018 ($9.81936).
3. A minimum security holding guideline was introduced on 1 July 2018, with all Executive KMP targeting to attain the minimum security holding by 1 July 2023. The value is calculated by reference to the 12-month average fixed remuneration for the relevant financial year. For existing Executive KMP as at 1 July 2018, the guide is based on fixed remuneration as at 1 July 2018.

9.5 Other Transactions

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

9.6 Loans

No loans were provided to KMP or related parties.

Operating and Financial Review

The Group's financial performance for the year ended 30 June 2018 is summarised in the following section. In order to fully understand the results, the Annual Report and full Financial Statements included in this Financial Report should be read in conjunction with this section.

Five year performance

	FY18	FY17	FY16	FY15	FY14
Funds from Operations (FFO) ($m)	**653.3**	617.7	610.8	544.5	446.6
Adjusted FFO (AFFO) ($m)	**485.5**	439.7	413.9	369.8	310.7
Net profit after tax ($m)	**1,728.9**	1,264.2	1,259.8	618.7	406.6
FFO per security (cents)	**64.2**	63.8	63.1	59.5	41.7[1]
AFFO per security (cents)	**47.7**	45.4	42.7	40.4	37.9[1]
Distribution per security (cents)	**47.8**	45.47	43.51	41.04	37.56[1]
Return on Equity (%)	**19.8**	18.2	19.3	11.5	6.7
Return on Contributed Equity (%)	**7.6**	7.6	n/a	n/a	n/a
One-Year Total Security holder return (%)	**7.5**	10.1	30.3	15.8	9.9
Net tangible asset backing per security ($)	**9.64**	8.45	7.53	6.68	6.36[1]
Gearing (look-through) (%)	**24.1**	26.7[2]	30.7	28.5	33.7
Duration of debt (years)	**7.0**	5.6	5.5	5.7	5.2
Customer satisfaction score (out of 10)	**8.3**	8.0	8.0	7.9	7.7
Females in Senior Management roles (%)	**35**	33	29	26	26
Listed office portfolio average NABERS Energy rating (stars)	**4.9**	4.8	4.8	4.7	4.6

Review of Operations

Dexus has adopted Funds from Operations (FFO) as its underlying earnings measure which has been defined in accordance with the guidelines established by the Property Council of Australia for its reporting with effect from 1 July 2014.

In accordance with Australian Accounting Standards, net profit includes a number of non-cash adjustments including fair value movements in asset and liability values. FFO is a financial measure of real estate operating performance and is determined by adjusting net profit after finance costs and taxes for certain items which are non-cash, unrealised or capital in nature.

The Directors consider FFO to be a measure that reflects the underlying performance of the Group.

The following table reconciles between profit attributable to stapled security holders, FFO and distributions paid to stapled security holders.

	30 June 2018 ($m)	30 June 2017 ($m)
Net profit for the year attributable to stapled security holders	**1,728.9**	1,264.2
Net fair value gain of investment properties	**(1,201.8)**	(704.7)
Impairment of inventories	**0.6**	–
Net fair value (gain)/loss of derivatives and interest bearing liabilities	**(8.3)**	3.6
Net (gain)/loss on sale of investment properties	**0.9**	(70.7)
Incentive amortisation and rent straight-line[3]	**101.4**	100.1
Coupon income, rental guarantees received and other	**17.7**	12.7
Amortisation of intangible assets	**5.5**	4.5
Transaction costs	**1.1**	–
Non-FFO tax expense	**7.3**	8.0
Funds from Operations (FFO)[4]	**653.3**	617.7
Retained FFO[5]	**166.9**	166.0
Distributions	**486.4**	451.7
FFO per security (cents)	**64.2**	63.8
Distribution per security (cents)	**47.8**	45.47
Net tangible asset backing per security ($)	**9.64**	8.45

1. In November 2014, Dexus completed a one-for-six security consolidation and this number has been adjusted to reflect this.
2. FY17 pro forma gearing is adjusted for post balance date acquisitions. Actual gearing was 22.1%.
3. Including cash, rent free and fit out incentives amortisation.
4. Including Dexus's share of equity accounted investments.
5. Based on Dexus's distribution policy to payout in line with free cash flow. The distribution payout ratio equated to 74.4% of FFO in FY18 and 73.1% of FFO in FY17.

Operating and Financial Review
continued

Operating result

Performance of the Group

Dexus's net profit after tax was $1,728.9 million, an increase of $464.7 million from the prior year (FY17: $1,264.2 million). The key drivers of this movement included:

- Net revaluation gains of investment properties of $1,201.8 million, representing a 10.5% uplift across the portfolio, were $497.1 million higher than the prior year (FY17: $704.7 million)
- FFO, which increased by $35.6 million resulting in FFO per security of 64.2 cents, an increase of 0.6%
- Partially offset by lower gains from the sale of investment properties compared to FY17

Valuation gains achieved across Dexus's property portfolio primarily drove the $1.19 increase in net tangible assets (NTA) per security to $9.64 over the year. The valuation uplift was driven primarily by the Sydney office portfolio where capitalisation rates have compressed further, and the buoyant leasing market has delivered higher market rents.

The following table provides a summary of the key components of FFO and Adjusted Funds from Operations (AFFO) based on the information provided in the Group Performance and Property Portfolio assets sections included in this Financial Report.

	30 June 2018 $m	30 June 2017 $m
Office Property FFO	**603.8**	567.4
Industrial Property FFO	**132.7**	114.8
Total Property FFO	**736.5**	682.2
Management operations[1]	**52.5**	46.3
Group corporate	**(27.4)**	(23.7)
Net finance costs	**(134.4)**	(121.8)
Other (including tax)	**(10.5)**	(12.5)
Underlying FFO	**616.7**	570.5
Trading profits (net of tax)	**36.6**	47.2
Total FFO	**653.3**	617.7
Maintenance capex, lease incentives and leasing costs paid	**(167.8)**	(178.0)
Total AFFO[2]	**485.5**	439.7

The key drivers of the $35.6 million increase in FFO include:

- Office Property FFO of $603.8 million increased from FY17 as a result of like-for-like income growth of 4.5%, acquisitions including MLC Centre in Sydney (Dexus's 25% interest) and 100 Harris Street in Pyrmont, offset by asset sales including 11 Waymouth Street in Adelaide (Dexus's 50% interest) and Southgate Complex in Melbourne (remaining 50% tranche settled in May 2018)
- Industrial Property FFO increased by $17.9 million to $132.7 million due to like-for-like growth of 3.0% following a record year of leasing in FY17 which significantly improved portfolio occupancy as well as income from acquisitions and completed developments

This was partially offset by:

- Finance costs net of interest revenue increased by $12.6 million driven by acquisitions, partially offset by the equity raising completed in June 2017 and proceeds from asset sales used to repay debt
- The realisation of $36.6 million of trading profits (net of tax) representing a decrease of $10.6 million on the prior year

The underlying business, excluding trading profits, delivered FFO per security of 60.6 cents, and grew by 2.9% on the prior year.

Distributions

Distributions per security for the 12 months ended 30 June 2018 were 47.8 cents per security, up 5.1% on the prior year (FY17: 45.47 cents), with the distribution payout remaining in line with free cash flow, in accordance with Dexus's distribution policy. The distribution for the six months ended 30 June 2018 of 24.1 cents per security will be paid to Dexus Security holders on Thursday 30 August 2018.

Return on contributed equity and return on equity

Dexus achieved a Return on Contributed Equity[3] (ROCE) for FY18 of 7.6% driven largely by AFFO.

Dexus delivered a Return on Equity[4] (ROE) of 19.8% in FY18, driven by property revaluations and distributions, resulting in a six year average ROE of 14.5%.

1. Management operations' income includes development management fees.
2. AFFO is in line with the Property Council of Australia definition.
3. ROCE is calculated as AFFO plus the net tangible asset impact from completed developments divided by the average contributed equity during the period.
4. ROE is calculated as the growth in net tangible assets per security plus the distribution paid/payable per security divided by the opening net tangible assets per security.

Management Expense Ratio

	30 June 2018 $m	30 June 2017 $m
Group corporate costs	**27.4**	23.7
Asset management costs	**16.0**	15.6
Total corporate and asset management costs	**43.4**	39.3
Closing funds under management (balance sheet only)	**13,338**	11,463[1]
Group management expense ratio (MER)	**33bps**	34bps

Group corporate costs increased to $27.4 million as a result of investment in platform initiatives while asset management costs increased to $16.0 million as a result of investment in platform initiatives and completion of developments. Dexus's MER[2] reduced to 33 basis points largely driven by investment property revaluation gains of $1.2 billion.

Property transactions

Dexus completed $2.0 billion of transactions for the group including the settlement of the acquisitions of the MLC Centre, Sydney (Dexus's 25% interest), 100 Harris Street, Pyrmont and 90 Mills Road, Braeside in addition to the divestment of 11 Waymouth Street, Adelaide (Dexus's 50% interest) and Dexus's remaining 50% interest in Southgate, Melbourne. Other transactions included the Dexus Office Partnership's acquisition of 56 Berry Street, North Sydney and 140 George Street, Parramatta in addition to the sale of 46 Colin Street, West Perth.

Post 30 June 2018, Dexus acquired 568 Wickham Street, Brisbane QLD and also entered into agreements to acquire industrial development landbanks at 11-167 Palm Springs, Ravenhall, VIC (in which Dexus and DWPF each acquired a 50% interest), 425-479 Freeman Road, Richlands, QLD and 54 Ferndell Street, South Granville, NSW.

Dexus performance

The following sections review the FY18 performance of the Group's key financial drivers: Property Portfolio, Funds Management and Trading.

i) Property portfolio

Dexus remains focused on maximising the performance of its property portfolio through leasing and asset management activities, with the property portfolio contributing to 89%[3] of FFO in FY18.

Dexus increased the size of its direct portfolio to $13.3 billion from $12.2 billion[4] at FY17. This movement was driven by revaluation gains of $1.2 billion and acquisitions of $31.0 million[5], which was partially offset by $449.0 million of divestments.

Office portfolio

Portfolio value:	$11.0 billion
Total area:	1,495,238 square metres
Area leased during the year:	242,957 square metres[6]

Key metrics	**30 June 2018**	30 June 2017
Occupancy by income	**96.0%**	97.2%
Occupancy by area	**95.7%**	97.0%
WALE by income	**4.6 years**	4.8 years
Average incentives[6]	**13.9%**	14.5%
Retention rate	**54%**	46%
Total return – 1 year	**16.9%**	14.1%

1. Actual closing funds under management at 30 June 2017.
2. Management Expense Ratio.
3. FFO contribution is calculated before finance costs, group corporate costs and tax.
4. Funds under management at 30 June 2017 adjusted for transactions settled up to 16 August 2017.
5. Transactions include properties which settled during FY18 and exclude the acquisitions of MLC Centre, in Sydney 100 Harris Street in Pyrmont and 90-110 Mills Road in Braeside which were included in the FY17 pro forma direct portfolio amount.
6. Including Heads of Agreement and excluding development leasing.

Operating and Financial Review
continued

Dexus performance continued

Office portfolio continued

During the year, Dexus leased 242,957 square metres[1] of office space across 293 transactions as well as 52,589 square metres of office development space across 15 transactions, locking in future income streams.

It has been an excellent year for the portfolio in which Dexus has seen significant valuation gains driven by strong leasing outcomes. Leasing has been supported by the buoyant markets of Sydney and Melbourne and assisted by the improving markets of Perth and Brisbane. The property valuation reduced at 100 Harris Street in Pyrmont, driven by acquisition costs being written off, increases in outgoings and additional capex to fund fitouts on vacant space. Dexus has maintained its focus on reducing incentives and driving rents for popular properties, which is being captured in our returns and valuations.

The office portfolio delivered 4.5% like-for-like income growth and a 16.9% total return for the year which was driven by increased market rents and leasing. Sydney office properties experienced strong effective rental growth.

Occupancy reduced marginally to 96.0% at 30 June 2018 (FY17: 97.2%) driven by the known departure of CBA at Sydney Olympic Park, which was also reflected in the 54% tenant retention metric, providing the opportunity for Dexus to improve this position during FY19.

Tenant activity and market dynamics have remained positive across Dexus's core office markets with strong levels of enquiry in Perth converting to significant leasing at 240 St Georges Terrace and Kings Square as tenants seek to upgrade to better quality buildings and centralise into the CBD.

Industrial portfolio

Portfolio value:	$2.2 billion
Total area:	1,322,557 square metres
Area leased during the year:	192,116 square metres[1]

Key metrics	30 June 2018	30 June 2017
Occupancy by income	**98.3%**	96.5%
Occupancy by area	**98.8%**	96.6%
WALE by income	**4.8 years**	5.1 years
Average incentives	**12.6%**	14.5%
Retention rate	**48%**	74%
Total return – 1 year	**13.6%**	12.6%

During the year, Dexus leased 192,116 square metres[1] of industrial space across 91 transactions, with the portfolio continuing to benefit from an uptick in logistics and e-commerce demand. As a result of this activity, portfolio occupancy further improved to 98.3%[1] (FY17: 96.5%) and like-for-like income growth was 3.0% (FY17: 3.6%).

Portfolio weighted average lease expiry (WALE) reduced slightly to 4.8 years. Average incentives reduced to 12.6% (FY17: 14.5%) as a result of leasing in the competitive Melbourne market.

Industrial portfolio retention reduced to 48% from 74% at 30 June 2017 as a number of leases were retired to reposition assets. The industrial portfolio performance has improved over the past two years with occupancy increasing from 90.4% in FY16 to 98.3% in FY18.

Dexus's industrial portfolio delivered a one-year unlevered total return of 13.6% (FY17: 12.6%).

Customer

Dexus continued to drive great customer experience outcomes during the year as evidenced by the strong overall Net Promoter Score of +32 and customer satisfaction score of 8.3 out of 10 in the latest customer survey. These scores have improved, and survey participation has increased on the back of the strength of Dexus's customer relationships and despite the disruption that can be caused when assets are under development.

FY19 Focus (Office and Industrial)

In FY19 Dexus will target $155-165 million of capital expenditure (including rent free incentives); target like-for-like income growth of 4-5% for the office portfolio and 2.5-3.5% for the industrial portfolio; maintain occupancy above 95%; undertake selective forward leasing to manage expiry risk; and capture upside in the Sydney market.

1. Including Heads of Agreement.

Development

Dexus utilises its development expertise to deliver best-in-class office buildings, city retail amenity and prime industrial facilities. Development provides Dexus with access to stock and leads to improved portfolio quality and diversification, attracts revenues through development management fees and delivers on capital partner strategies.

Dexus has a significant opportunity to drive future value through its $4.2 billion group development pipeline, which is diversified across uses and locations and is the most efficient way to access quality product at this point in the cycle. Dexus is also short listed or in an exclusive position on circa $2 billion of future potential concept development projects.

Two office projects at 180 Flinders Street in the Melbourne CBD and 12 Creek Street – The Annex in Brisbane were activated, and in July 2018 development works commenced at 240 St Georges Terrace in Perth. Works also progressed at 100 Mount Street, North Sydney, where NBN Co. was secured as a new customer across 20,364 square metres. In aggregate, 50% of the space is already committed[1] at these four key office developments with completions scheduled over the next four years.

The extensive ground floor works at 240 St Georges Terrace include the creation of a new street entry, a new north facing outdoor terrace on level 16 for functions, new end-of-trip facilities and gymnasium, and an improved retail offering. On-floor upgrades will commence from October 2018 prior to Woodside's lease expiry, with 57% of the impending Woodside vacancy now solved.

Post 30 June 2018, Dexus replenished the industrial development pipeline by entering into agreements to acquire three industrial development sites, one of which will be acquired jointly with DWPF. These developments have a combined end value of circa $700 million and will be built out over the next five to seven years. They provide the opportunity to leverage Dexus's extensive market knowledge, development and leasing capabilities and track record in each of these markets.

Dexus allocates up to 15% of funds under management (FUM) across its listed portfolio to development and trading/value-add activities. Currently circa 7.4% of FUM is allocated to these activities providing earnings accretion and enhancing total return.

FY19 Focus

In FY19 Dexus will complete the development of 100 Mount Street, North Sydney; advance and de-risk leasing of key projects in the development pipeline; and activate new opportunities.

ii) Funds management

Dexus's Funds Management business represents over half of the Group's $27.2 billion FUM and its $2.0 billion development pipeline will drive organic growth across the platform. Third party funds under management increased to $13.9 billion, up 9.4% from 30 June 2017, driven by acquisitions, developments and revaluations, partially offset by divestments.

The activities undertaken by the Funds Management business include managing office, industrial, retail and healthcare investments on behalf of third party partners and funds. These activities result in Dexus earning fees for its funds management, property management, leasing and development management services.

All funds delivered strong performance, with DWPF achieving top quartile performance and a one-year total return of 13.8%, outperforming its benchmark over one, three, five, seven and ten years. The Dexus Office Partnership delivered a one-year unlevered total property return of 16.0% and an annualised unlevered total property return of 14.9% since inception.

Growth over the next 12-18 months is supported by the $647 million committed development pipeline. Planning is also now underway that will see the launch of new unlisted funds or partnerships over the same time period.

Dexus completed the first round equity raising for its unlisted Healthcare Wholesale Property Fund which was seeded with approximately $370 million of properties and an additional pipeline of high quality opportunities with an estimated on completion value of $460 million.

The Healthcare Wholesale Property Fund diversifies and expands Dexus's Funds Management business in a scalable sector that is attractive to investors, due to the low volatility of returns. Demand for healthcare is also non-discretionary, which insulates the sector from economic cycles.

FY19 Focus

In FY19, Dexus will continue to drive strong performance across all of its unlisted funds and partnerships, while progressing the launch of new unlisted funds or partnerships.

1. Including Heads of Agreement signed post 30 June 2018.

Operating and Financial Review
continued

Dexus performance continued

iii) Trading

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.

Since 2010, Dexus has been undertaking trading activities and recognising trading profits in its FFO. Over the past seven years, Dexus has sold and settled on 12 trading properties which have realised an aggregate $267 million of trading profits pre-tax at an average unlevered project IRR of 30%.

Trading profits of $36.6 million net of tax were achieved in FY18 following the sale of 105 Phillip Street and 140 George Street, both located in Parramatta.

The exchange of contracts to sell 32 Flinders Street, Melbourne, has de-risked FY19 trading profits. Future projects were progressed with 201 Elizabeth Street, Sydney added to the pipeline, and planning approval received for Stage 1 of 12 Frederick Street, St Leonards (North Shore Health Hub).

A total of six projects diversified across sectors and trading strategies have been earmarked to deliver trading profits of $260-280 million pre-tax in future years. Other opportunities include stage 2 of 12 Frederick Street in St Leonards, Lakes South in Botany and Gladesville, NSW.

FY19 Focus

In FY19, Dexus will target trading profits of $35-40 million, net of tax, and advance future opportunities.

iv) Financial position (look-through)

	30 June 2018 $m	30 June 2017 $m
Office investment properties	**11,038**	9,511
Industrial investment properties	**2,245**	1,952
Healthcare investment properties	**54**	–
Other[1]	**572**	490
Total assets	**13,909**	11,953
Borrowings	**(3,445)**	(2,783)
Other liabilities	**(658)**	(582)
Net tangible assets	**9,806**	8,588
Total number of securities on issue	**1,017,196,877**	1,016,967,300
NTA ($)	**9.64**	8.45

Total look-through assets increased by $1,956 million primarily due to $770.4 million of acquisitions, development capital expenditure and $1,201.8 million of property valuation increases, partially offset by $478.9 million of divestments.

Total look-through borrowings increased by $662 million due to funding required for the acquisitions and development capital expenditure mentioned above, offset by asset sales during the year.

1. Excludes the deferred tax liability on management rights in line with accounting changes as disclosed in the FY17 financial statements.

Capital Management

Cost of debt:	4.2%
Duration of debt:	7.0 years
Gearing (look through)[1]:	24.1%[1]
S&P/Moody's credit rating:	A-/A3

Dexus continued to maintain a strong and conservative balance sheet. Gearing[1] reduced to 24.1% from 26.7%, remaining below the 30-40% target range, as a result of the receipt of proceeds from sold properties and property revaluation gains offset by development costs and property acquisitions.

Since announcing plans in February 2018 to initiate an on-market securities buy-back of up to 5% of Dexus securities on issue, Dexus has acquired and cancelled 207,665 securities. Dexus will continue to utilise the buy-back where there is an opportunity to enhance investor returns.

Total debt duration extended to 7.0 years as a result of Dexus's largest ever debt raising via the US Private Placement market valued at $653 million. Dexus's strong balance sheet provides the capacity to fund projects in its current and future development pipeline.

Dexus has minimal short-term refinancing requirements and remains within all of its debt covenant limits and target ranges.

FY19 Focus

In FY19, Dexus will focus on preserving its debt duration and will continue to seek further debt diversification options.

Outlook

The majority (80-90%) of Dexus's earnings are derived from rental income from its direct property portfolio, with the remainder derived from the Funds Management and Trading businesses. Key lead indicators and factors affecting the outlook of each of these areas of the business are outlined below.

Within Australia, economic growth is rebalancing between the states with Queensland and WA forecast to catch up to Victoria and NSW over the next couple of years. While buoyed by infrastructure investment, Victoria and NSW may face some additional headwinds in FY19 and FY20 as weakening housing construction drags on employment growth.

The low and steady cost of capital continues to support investment demand for real estate. The maintenance of reasonably wide spreads between real estate yields and government bond yields has supported investment activity to date in a maturing pricing cycle. Over time, pricing will be sensitive to a normalisation of interest rate yields, however such rises still seem some way off.

i) Property portfolio

Office

The performance of office markets is influenced by the strength of the broader economy and business confidence, the supply and demand characteristics of particular CBD markets and the leasing characteristics of individual properties.

Office markets continue to perform well. Modest levels of supply in Sydney and Melbourne helped push vacancy rates lower to circa 4.5% and we expect further falls with vacancy expected to fall below 3.5% in Sydney in FY19. Perth continued its recovery while the overall Brisbane market showed mild improvement.

The outlook for office demand is positive in the short term due to solid employment growth and positive business confidence. The outlook is for mild upward pressure on rents in the short term in Sydney and Melbourne, with growth declining on a two to three-year timeframe as new supply materialises.

A key theme for office markets is growth in small office users as service firms shift to more collaborative, outsourced modes of working and the IT sector continues its mini-boom built on mobile applications, big data, fintech and social media.

1. Adjusted for cash and debt in equity accounted investments.

Operating and Financial Review
continued

i) Property portfolio continued

Industrial

The industrial sector is in a growth phase with demand running ahead of supply. Demand is expected to remain solid in the year ahead given population growth and infrastructure investment are supporting economic activity. Sydney, Melbourne, and to a lesser extent Brisbane, are well placed to benefit.

E-commerce is emerging as a significant driver of demand as online sales expand at double digit growth rates, and online retailers and fulfilment providers seek to increase scale.

The outlook for rents is likely to remain positive, particularly in land constrained areas in Sydney and Melbourne. Conditions in Brisbane are projected to continue to improve in the short-term as the economy rebounds, while Perth appears to have bottomed.

ii) Funds management

Dexus's Funds Management business's current exposure is 51% to office properties, 11% to industrial properties, 37% to retail properties and 1% to healthcare properties. Its office and industrial property performance will be influenced by the key lead indicators described previously.

For retail, sales performance continued to strengthen for supermarkets and food retailing while the department stores and apparel categories have been disrupted by the changing retail dynamics including an increasing shift to online sales and increased competition from international retailers at a time when consumer preferences are shifting in Australia, as cost and convenience of online delivery improves. There may be some relief ahead as employment growth flows through to wages and retail spending growth benefits from continued low interest rates. However, a softening housing market is likely to prevent spending growth from increasing too much. The outlook for retail rents is subdued in the short to medium term, reflecting high occupancy costs and poor retail margins.

Retail sales growth across Dexus's Funds Management portfolio was strongest at Regional centres which have recently undergone redevelopment, leveraging the opportunity to enhance the centres' offer to grow foot traffic and sales.

For healthcare, demand for healthcare services and consequently properties will continue to benefit from ageing demographics, longer life expectancy and population growth.

Dexus will continue to satisfy the investment objectives of its Funds Management clients and funds through growing existing funds via acquisitions and progressing the $2.0 billion Funds Management development pipeline, while maximising the performance.

iii) Trading

Dexus's Trading business is an ongoing revenue stream, with the recognition of trading profits included in FFO. Dexus continues to identify potential trading opportunities within its existing portfolio and seeks new trading opportunities for the future trading pipeline. Dexus has de-risked FY19 trading profits of $35-40 million, net of tax, and is progressing its remaining pipeline projects.

FY19 Guidance

Dexus's guidance[1] for the 12 months ending 30 June 2019 is circa 5% growth in distribution per security.

1. Barring unforeseen circumstances, guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; FFO per security growth of circa 3% and underlying FFO per security growth of circa 3% underpinned by Dexus office portfolio like-for-like growth of 4-5%, Dexus industrial portfolio like-for-like income growth of 2.5-3.5%, management operations FFO and cost of debt in line with FY18; trading profits of $35-40 million net of tax; maintenance capex, cash incentives, leasing costs and rent free incentives of $155-165 million; and excluding any further transactions.

Risks and megatrends

There are various risks and megatrends that could impact Dexus's strategy and outlook, and the nature and potential impact of these can change over time. Further information relating to Dexus's risk management framework is detailed in the Corporate Governance Statement available at www.dexus.com

Dexus actively reviews and manages the risks and megatrends facing its business over the short, medium and long-term, overseen by the Board Risk Committee. The key risks and megatrends and how Dexus manages and monitors them are outlined in the tables below.

Key risk	Description	How Dexus is equipped to manage and monitor risks
Performance	Ability to meet market guidance, deliver superior risk adjusted performance relative to industry benchmarks and complete developments in line with expectations.	Processes are in place to regularly review progress against Dexus's strategy, with risk tolerances which are identified and managed. Detailed due diligence is undertaken for all acquisitions and external experts are appointed to assist in the design and costing process for developments.
Capital markets	Positioning the capital structure of the business to withstand unexpected changes in equity and debt markets.	Prudent management of capital, including regular sensitivity analysis and periodic independent reviews of hedging policy, assists in protecting Dexus's balance sheet from unexpected changes in capital markets. Further information relating to financial risk management is detailed in note 12 of the Financial Statements.
Key client	Retention of existing wholesale third party client or capital partner.	Dexus's funds management model includes strong governance principles and processes designed to build and strengthen relationships with existing and new clients. A periodic client survey helps in identifying key issues for action by the funds management team.
Compliance & regulatory	Compliance with regulatory requirements including continuous disclosure, ASX Listing Rules, REIT status and Dexus policies and procedures.	Dexus has systems and processes in place that address adherence to compliance policies and regulatory requirements. Independent industry experts are appointed to undertake reviews where appropriate.
Cyber/data & governance risk	Management and maintenance of data security.	Regular training, testing and disaster recovery activities, along with the employment of data security software, assists in reducing the risk of a breach of data security.
Security & emergency management	Ensuring the safety of employees, customers and the public at Dexus sites.	Procedures are in place to minimise threats to safety including the adoption of plans relating to crisis management, business continuity and emergency management. Responsiveness is regularly tested through scenario planning exercises.
Talent & capability	Retention of key talent within Dexus.	To assist in the retention of key talent, succession plans for key employees are adopted and regularly reviewed. In addition, external mapping is undertaken for key roles. Training and development of key personnel assists with employee career progression within Dexus.
Corporate culture	Maintaining a respectful, open and transparent culture which supports diversity of opinion and values including acting honestly, ethically and with integrity.	Having a diverse and inclusive culture is a focus of the Dexus Board and the Group Management Committee. This is supported by regular employee surveys and other reports that provide data on engagement levels and organisational culture. There is continual monitoring of lead and lag indicators to assist in identifying areas that may require additional focus.
Climate change & environment	Mitigation against the impact of climate change.	The impact of climate change is reduced through careful portfolio construction combined with assessment of climate change risks and associated adaptation planning. For new developments, long-term environmental performance benchmarks are adopted in the design and construction phase. For existing properties, Dexus manages greenhouse gas (GHG) emission performance against a science-based GHG emissions target.
Building and workplace health & safety	Identify and remediate health and safety issues relating to the fabric of our buildings including facades. Prevention of death or serious injury at a Dexus owned or controlled site due to unsafe work practices.	Dexus adopts the following measures to ensure building and workplace health and safety is maintained in and around its buildings: - Engagement of external consultants for facade audits - Ongoing monitoring and testing of existing sites - Adoption of comprehensive work health and safety programs and compliance by site contractors and employees - Independent certification against OHSAS 18001 Occupational Health and Safety Management Systems - Independent reviews by industry experts

Operating and Financial Review
continued

Megatrends	Description	How Dexus is equipped to manage and monitor megatrends
Globalisation	The integration of capital, goods and services across national borders is driving increased connectivity between countries and cities, blending global cultures and business practices. As a result, businesses are seeking more flexibility in their working environments.	Dexus is responding to the growing demand from customers who seek workspaces that are flexible, collaborative and engaging through the launch of various initiatives including: - Dexus Place - Expanded suite offerings - Dexus simple and easy lease - Smart buildings connected to leading technologies
Shifting demographics and societal expectations	The ageing of the population, drift of people to coastal urban areas and increasing diversity in the workforce is impacting the way people work.	Dexus keeps abreast of the latest workspace trends and is responding to increasing preferences for 'plug and play' or 'work anywhere' environments. Dexus's smart building blueprint provides technology solutions that promote both connectivity across different spaces and flexibility in workplace locations. *Wellplace* caters for the growing wellbeing trend in the workplace, providing a suite of health and wellbeing services and amenities. For Dexus's own workforce, the adoption of a flexible working policy allows our employees to work anywhere, anytime, supporting personal wellbeing and productivity.
Technological change	Technology and connectivity is driving mobility and collaboration in workplaces. Artificial Intelligence, automation and robotics is replacing repetitive tasks, together with a new focus on the value of big data and analytics.	Technological advancement brings opportunities to further support our customers in their growth and productivity goals, and Dexus is implementing innovative technologies in new developments to deliver a better customer experience and optimise workforce productivity. To support our employees, we are investing in systems and processes that will define how we operate as a business and create a foundation for operational excellence. This includes a new enterprise platform designed to enhance the efficiency of our day to day operations and reduce the operational demands on our people, enabling them to spend more time and focus on our customers.
Urban density	The growth of cities is increasing urban density in Australia's major cities creating challenges for social equity, the environment, transport systems and city planning.	Dexus's property portfolio is concentrated in the key CBDs of cities around Australia where our customers want and need to be, a circumstance that sees Dexus's value and the future of our cities closely interrelated. Dexus is creating vibrant hubs with spaces that offer a sense of community and high amenity which are well-connected through technology and transport. We are conscious of the impact of our operations on the environment and we are embracing new technologies and new energy sources to provide energy efficient workspaces.
Sustainability	As the world becomes more polluted and urbanised, demand for energy, food and water will rise, putting pressure on supply of resources and the wellbeing of people.	Over the past decade, we have been focused on energy efficiency as well as reducing the group's greenhouse gas emissions and environmental footprint. As Australia continues its search for secure, affordable, and environmentally conscious energy, Dexus has made progress on the transition to a low carbon future. Our *New energy, New opportunities* strategy sets a pathway for Dexus to achieve net zero emissions by 2030 through improving energy efficiency and increasing renewables.

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 [1]	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 [2]	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 [1]	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 [2]	–	–	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 [1]	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 [1]	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 [2]	20 October 2003
Mark Ford	Kiwi Property Group Limited [3]	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

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

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Dexus Diversified Trust for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
14 August 2018

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