

# Our Strategy

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

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

We have two strategic objectives that underpin this strategy:

- **Leadership in office:** being the leading owner and manager of Australian office property
- **Funds management partner of choice:** being the wholesale partner of choice in Australian property

Leadership in office is an aspiration that is supported by our scale. As the largest office owner and manager in Australia, we have scale that provides many advantages.

Our scale supports the generation of investment outperformance, through providing valuable customer insights and the opportunity to invest in people, systems and technologies that enhance our customers' experience. It also enhances our ability to find the ideal workspace solution for customers and generates cost efficiencies.

Our objectives of leadership in office and funds management partner of choice complement each other. Our success in the office sector has enabled Dexus to attract investment partners not just in office, but also in the industrial, and healthcare sectors, in turn providing the opportunity to drive investment performance for those clients.

<b>➤ Vision</b>	To be globally recognised as Australia's leading real estate company	
<b>➤ Strategy</b>	To deliver superior risk-adjusted returns for investors from high quality real estate in Australia's major cities	
<b>➤ Strategic objectives</b>	<b>Leadership in office</b>	<b>Funds management partner of choice</b>
	Being the leading owner and manager of Australian office property	Being the wholesale partner of choice in Australian property

### How our business creates value

Our strategy is underpinned by our business activities of developing, managing and transacting properties.

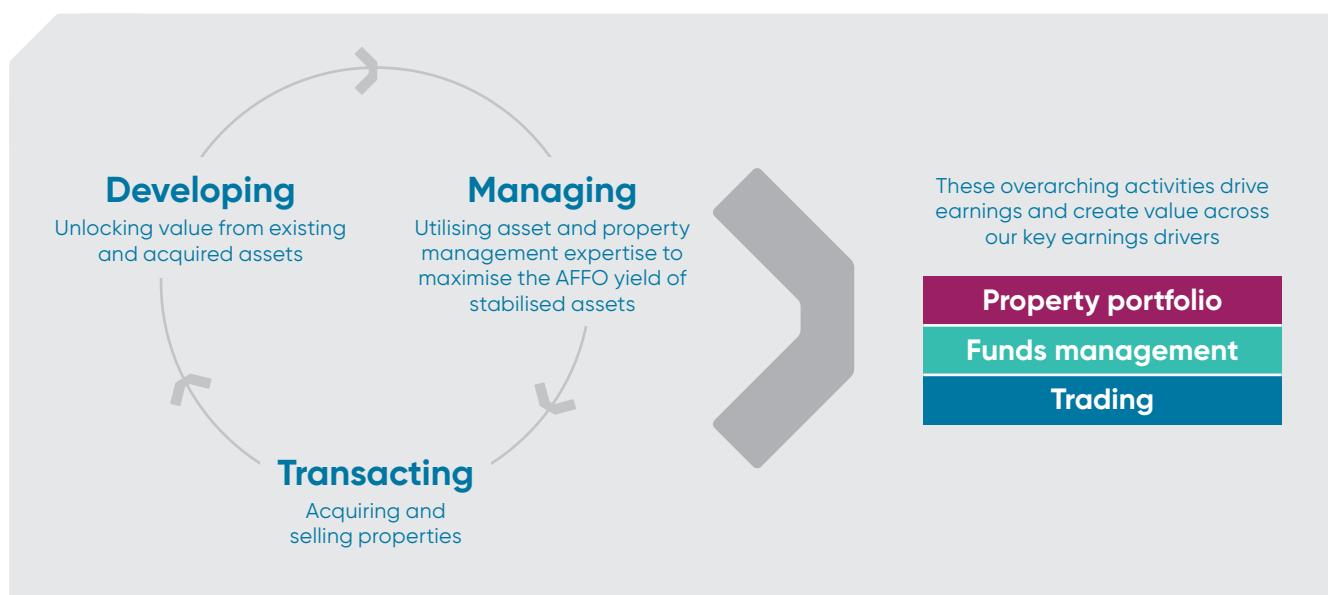
To generate superior risk-adjusted returns for investors it is necessary that for each asset we own or manage, we maximise cash flow and unlock value over the investment lifecycle.

We do this through applying our transactional, asset and property management expertise to drive earnings and create value across three areas of focus:

- **Property portfolio** – the largest driver of value and contains the Dexus office and industrial portfolios
- **Funds Management** – provides access to wholesale sources of capital and a steady annuity-style income stream
- **Trading** – packaging of investment opportunities to generate trading profits

### What sets Dexus apart?

- High performing, engaged and diverse workforce
- Quality real estate portfolio across key Australian cities
- Funds management business with access to diverse sources of capital
- Pipeline of development opportunities to create value over the long term
- Customer centric focus



### Long-term value creation

To support long-term value creation, we consider corporate responsibility and sustainability an integral part of our business activities. Our approach supports our strategy through the overarching goal of delivering sustained value for all stakeholders. The outcomes we seek to achieve are as follows:

 Leading Cities	Playing a leading role in shaping <b>Australia's cities</b> for the future as desirable places to work, live and play
 Future Enabled Customers	Preparing <b>our customers</b> for the future through enabling enhanced productivity and supporting future growth
 Strong Communities	Nurturing well-connected, prosperous and supported <b>communities</b> in and around our buildings
 Thriving People	Enhancing the wellbeing of <b>our people</b> and those in our properties
 Enriched Environment	Optimising the <b>environmental performance</b> and resilience of our buildings

To learn more about our approach to managing these areas as well as our FY18 achievements and performance visit [www.dexus.com/crsapproach](http://www.dexus.com/crsapproach)



# Performance against strategy

**We achieved strong performance against our strategic objectives and key focus areas, delivering sustained value for Security holders.**

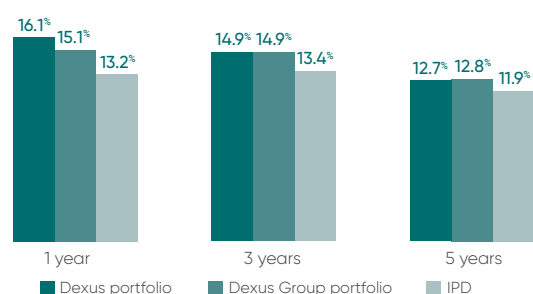
## Leadership in office

Dexus's owned and group office portfolios achieved IPD outperformance over the 1, 3 and 5 years to 31 March 2018. Supporting our strategic objective of leadership in office, leasing success enabled us to maintain high portfolio occupancy and lock in future income streams across the development pipeline. From a development perspective, two office projects were activated in Melbourne and Brisbane, and we successfully leased<sup>1</sup> 51% of the space at 240 St Georges Terrace in Perth, where development works commenced in July 2018.

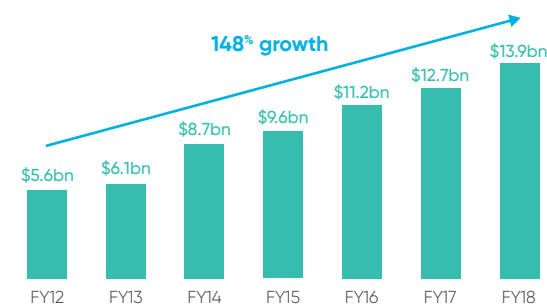
## Funds management partner of choice

Supporting our strategic objective of being the wholesale partner of choice in Australian property, we achieved strong performance for our wholesale investors and clients, with DWPF outperforming over 1, 3, 5, 7 and 10 year time periods. In addition, the first round equity raise for the Healthcare Wholesale Property Fund was completed. The \$2.0 billion funds management development pipeline was progressed, and a number of transactions were undertaken to meet our clients' investment objectives.

### Dexus office portfolio performance vs IPD<sup>2</sup>



### Third party funds under management



We achieved strong outcomes across our key focus areas of Customer, People and Environment. These results assist us in fulfilling our strategic objectives and delivering sustained value for Security holders.

#### Customer

Improved overall customer Net Promoter Score<sup>3</sup> to

**+32**

Improved customer satisfaction score to

**8.3/10**

#### People

Improved employee engagement score to

**87%**

Workplace Gender Equality Agency recognised Dexus as an Employer of Choice for

**Gender equality**

#### Environment

Achieved

**1st**

ranking in global listed office category and 3rd overall in the 2017 GRESB survey

Launched new goal to achieve

**Net Zero**

carbon emissions across the group's managed property portfolio by 2030

1. Including Heads of Agreement signed post 30 June 2018, with 57% of the impending Woodside vacancy now solved.

2. As at 31 March 2018.

3. Net Promoter Score (NPS) is calculated as the difference between the percentage of Promoters and Detractors. The NPS is expressed as an absolute number between -100 and +100.

### Creating value from earnings drivers

The FY18 contribution for our earnings drivers and outlook for FY19 is outlined below.

Driver	FY18 contribution	FY19 outlook
<b>Property portfolio</b>	Property AFFO <sup>1</sup> of \$568.7 million 4.5% office LFL income growth 3.0% industrial LFL income growth	4-5% office LFL income growth 2.5-3.5% industrial LFL income growth
<b>Funds management</b>	FFO of \$52.5 million	FFO broadly in line with FY18
<b>Trading</b>	Trading profits of \$36.6 million <sup>2</sup> from the sale of 105 Phillip Street and 140 George Street, Parramatta	Trading profits of \$35-40 million <sup>2</sup>

1. Adjusted funds from operations.

2. Net of tax.