

# DEXUS Property Group (ASX: DXS)

## ASX Release

10 November 2016

### 2016 Corporate Governance Statement

Further to the 2016 Annual Report and Appendix 4G released in August 2016, DEXUS Property Group provides a copy of its 2016 Corporate Governance Statement.

Security holders can also access the Corporate Governance Statement online at [www.dexus.com](http://www.dexus.com) (together with a copy of the 2016 Annual Report and Appendix 4G).

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#### About DEXUS

DEXUS Property Group is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With \$22.2 billion of assets under management, the Group also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. The Group manages an office portfolio of 1.8 million square metres located predominantly across Sydney, Melbourne, Brisbane and Perth and is the largest owner of office buildings in the Sydney CBD, Australia's largest office market. DEXUS is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange under the stock market trading code 'DXS' and is supported by more than 31,000 investors from 20 countries. With more than 30 years of expertise in property investment, development and asset management, the Group has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for its investors. [www.dexus.com](http://www.dexus.com)

Download the DEXUS IR app to your preferred mobile device to gain instant access to the latest stock price, ASX Announcements, presentations, reports, webcasts and more.



DEXUS Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for DEXUS Property Group (ASX: DXS)

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

This Corporate Governance Statement is accurate and up to date as at 17 August 2016 and has been approved by the Board on 27 July 2016.

The following reconciliation of the ASX Corporate Governance Principles & Recommendations - Third Edition (ASX Principles) against DEXUS's governance framework discloses how DEXUS met each of the ASX Principles during the financial year ended 30 June 2016 (Reporting Period).

ASX Principles	Reference	Comply
<b>Principle 1 - Lay solid foundations for management and oversight</b>		
1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management, and (b) those matters expressly reserved to the board and those delegated to management	1.1 - 1.5	✓
1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director, and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director	1.2 Notice of Meeting	✓
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	1.2	✓
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	1.3	✓
1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them (b) disclose that policy or a summary of it, and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: i. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes), or ii. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act	1.5	✓
1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors, and	1.6	✓

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

	(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process		
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives, and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process	Remuneration Report in the 2016 Financial Report (starting on page 18)	✓
<b>Principle 2 - Structure of the board to add value</b>			
2.1	The board of a listed entity should: (a) have a nomination committee which: i. has at least three members, a majority of whom are independent directors, and ii. is chaired by an independent director, and disclose iii. the charter of the committee iv. the members of the committee, and v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively	2.1	✓
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	2.2	✓
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion, and (c) the length of service of each director	2.3	✓
2.4	A majority of the board of a listed entity should be independent directors.	2.2 and 2.3	✓
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	2.2 and 2.3	✓
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	2.4	✓

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

Principle 3 - Act ethically and responsibly		
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees, and (b) disclose that code or a summary of it	3.1 ✓
Principle 4 - Safeguard integrity in corporate reporting		
4.1	The board of a listed entity should: (a) have an audit committee which: i. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors, and ii. is chaired by an independent director, who is not the chair of the board, and disclose: iii. the charter of the committee iv. the relevant qualifications and experience of the members of the committee, and v. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner	4.1 ✓
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	4.1 ✓
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	6.1 ✓
Principle 5 - Make timely and balanced disclosure		
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules, and (b) disclose that policy or a summary of it	5.1 ✓
Principle 6 - Respect the rights of security holders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	www.dexus.com ✓
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	6.2 ✓

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	6.2	✓
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	6.2	✓
<b>Principle 7 - Recognise and manage risk</b>			
7.1	The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a committee or committees to oversee risk, each of which:               <ul style="list-style-type: none"> <li>i. has at least three members, a majority of whom are independent directors, and</li> <li>ii. is chaired by an independent director, and disclose:                   <ul style="list-style-type: none"> <li>iii. the charter of the committee</li> <li>iv. the members of the committee, and</li> <li>v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or</li> </ul> </li> </ul> </li> <li>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework</li> </ul>	7.1	✓
7.2	The board or a committee of the board should: <ul style="list-style-type: none"> <li>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, and</li> <li>(b) disclose, in relation to each reporting period, whether such a review has taken place</li> </ul>	7.1 and 7.2	✓
7.3	A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) if it has an internal audit function, how the function is structured and what role it performs, or</li> <li>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes</li> </ul>	7.3	✓
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	7.4	✓
<b>Principle 8 - Remunerate fairly and responsibly</b>			
8.1	The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a remuneration committee which:               <ul style="list-style-type: none"> <li>i. has at least three members, a majority of whom are independent directors, and</li> <li>ii. is chaired by an independent director, and disclose:                   <ul style="list-style-type: none"> <li>iii. the charter of the committee</li> <li>iv. the members of the committee, and</li> <li>v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or</li> </ul> </li> </ul> </li> </ul>	8.1	✓

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

	(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive		
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Remuneration Report in the 2016 Financial Report (starting on page 18)	✓
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it	Remuneration Report in the 2016 Financial Report (starting on page 18)	✓

DEXUS Funds Management Limited (DXFM) is the Responsible Entity of each of the four trusts that comprise DEXUS Property Group (DEXUS). DXFM is also responsible for management of the Group's third party funds.

The Board implements a corporate governance framework that applies to all DXFM funds, the DEXUS Wholesale Property Fund (DWPF), capital partner investments and mandates. The Board has concluded that good corporate governance supports:

- a culture of ethical behaviour resulting in an organisation that acts with integrity
- improved decision making processes
- better controls and risk management
- improved relationships with stakeholders
- accountability and transparency

The framework adopted by DEXUS meets the requirements of the ASX Principles and addresses additional aspects of governance which the Board considers important. To assist stakeholders in accessing key documents outlining our approach to corporate governance, DEXUS maintains a Corporate Governance section on its website [www.dexus.com/corporategovernance](http://www.dexus.com/corporategovernance). The website is updated throughout the year, as policies and procedures are reviewed.

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

### PRINCIPLE 1 - LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

As DEXUS comprises four real estate investment trusts, its corporate governance practices satisfy the requirements relevant to unit trusts. The Board has determined that the governance framework will also meet the highest standards of a publicly listed company. This includes the convening of an Annual General Meeting, the appointment of directors by DEXUS Security holders and their consideration of its remuneration report.

#### 1.1. Board responsibilities

The framework adopted by DEXUS ensures accountability and a balance of authority by defining the respective roles and responsibilities of the Board and executive management (as outlined in the Terms of Reference for the Board and the Group Management Committee). This enables the Board to maintain a focus on strategic guidance while exercising effective oversight.

Terms of Reference for the Board and its delegated Committees are available at [www.dexus.com/boardcommittees](http://www.dexus.com/boardcommittees)

The Board's responsibilities include (but are not limited to):

- Determining strategy, including reviewing and approving DEXUS's business objectives and strategies to achieve them. These objectives inform the setting of performance targets for the Chief Executive Officer and the Group Management Committee members. Performance against these objectives is reviewed by the Board People & Remuneration Committee and is a primary input to the remuneration review of Group Management Committee members
- Approving the annual business plan
- Approving periodic market guidance
- Approving the financial statements and disclosures
- Approving significant acquisitions and divestments and major developments
- Ensuring that DEXUS has in place an appropriate Risk Management Framework (including a Risk Appetite Statement) to support DEXUS's risk policies
- Ensuring that DEXUS's fiduciary and statutory obligations to stakeholders (including third party clients, and capital partners) are met

The Board is also responsible for appointing and removing the Chief Executive Officer and Company Secretaries and monitoring the performance of the Group Management Committee.

#### 1.2. The Role of the Chair and appointment processes for directors

The role and responsibility of the Chair includes leading the Board, facilitating the effective contribution of all directors, and promoting constructive and respectful relations between directors and between the Board and management. The Chair is also responsible for promoting the interests of the Group to its security holders and regulators.

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

At the conclusion of the 28 October 2015 DEXUS Annual General Meeting, Chris Beare retired from his role as Non-Executive Director and Chair of the Board, a position he held for nearly 11 years. Mr Beare was succeeded by Richard Sheppard who has been a member of the Board since January 2012. The Board is satisfied that Mr Sheppard commits the appropriate time necessary to serve the Board and DEXUS. In addition, on 20 April 2016 and after more than eight years at DEXUS, Craig Mitchell resigned from his role as Chief Operating Officer and his Executive Director role which he held since February 2013, to take up a Chief Executive role with another company.

The Board currently comprises six independent, Non-Executive Directors and one Executive Director.

While directors of the Responsible Entity are not technically subject to the approval of DEXUS Security holders, the Board has determined that all directors, other than the Chief Executive Officer, will stand for election by DEXUS Security holders. If a nominated director fails to receive a majority vote, that director will cease to be appointed to the Board of DXFM. DEXUS Security holders are provided all material information relevant to a decision on whether or not to elect or re-elect a director.

DXFM directors, other than the Chief Executive Officer, hold office for three years following his or her first appointment (or, if appointed by the Board between DEXUS Annual General Meetings, from the date of the Annual General Meeting after the initial appointment).

At the time of appointment, each Non-Executive Director is required to sign a letter of appointment which sets out the terms and conditions of appointment. The letter outlines the term of office, independence, role and responsibilities of the director.

Executive Directors and other members of the Group Management Committee are also required to enter into an employment agreement setting out their terms of employment.

Background checks of newly appointed Non-Executive Directors are performed which include:

- National Police Check
- ASIC Banned and Disqualified Register check
- ASIC Authorised Representative search
- ASIC Enforceable Undertaking Register search
- APRA Disqualified Register check
- Directorships check
- AML/CTF Global Official Lists check (sanctions list)
- Public Record check
- Academic Qualification check
- Employment history check
- Bankruptcy Record check

The process for selecting and appointing new directors to the Board can be found at [www.dexus.com/boardpolicies](http://www.dexus.com/boardpolicies)

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

### 1.3. Company Secretaries

Company Secretaries play an important role in supporting the effectiveness of the Board and Board Committees. Company Secretaries are responsible for ensuring the smooth running of the Boards and Board Committees and ensuring that governance matters are appropriately addressed. They are accountable directly to the CEO, the Chair of the Board and the Chairs of the Board Committees on all matters relating to the proper functioning of the Board and its Committees. A Company Secretary attends all meetings of the Board. All directors have direct access to the Company Secretaries for guidance and assistance.

### 1.4. Group Management Committee responsibilities

The Board has appointed a Group Management Committee responsible for achieving DEXUS's goals and objectives, including the prudent financial and risk management of the Group. The Group Management Committee generally meets weekly.

Members of the Group Management Committee during 2016 were:

- Chief Executive Officer & Executive Director
- Chief Financial Officer \*
- Chief Operating Officer & Executive Director \*\*
- Chief Investment Officer
- Executive General Manager, Investor Relations, Communications and Research
- Executive General Manager, Office & Industrial
- Executive General Manager, Customer and Marketing
- General Counsel & Company Secretary

\* Commenced on 6 October 2015 (previously Deputy Chief Financial Officer).

\*\* Commenced on 6 October 2015 (previously Executive Director Finance & Chief Financial Officer) and resigned from the Group Management Committee on 20 April 2016.

### 1.5. Diversity

DEXUS supports a diverse and inclusive workplace and has created a culture that is tolerant, flexible and adaptive to the changing needs of its industry. DEXUS is committed to diversity and inclusion principles, and promotes a work environment conducive to the merit-based appointment of qualified employees, senior management and directors. Where professional intermediaries are used to identify or assess candidates, they are made aware of DEXUS's commitment to diversity and inclusion.

During 2016, the Corporate Responsibility, Inclusion & Diversity Committee, chaired by the Chief Executive Officer & Executive Director, continued to promote and encourage a work environment where diversity and inclusion is understood and valued.

DEXUS currently publishes annual statistics on the diversity profile of its Board and senior management, including a breakdown of the type and seniority of roles undertaken by women. This information is available at [www.dexus.com/boardpolicies](http://www.dexus.com/boardpolicies). DEXUS acknowledges and fulfils its obligations under relevant employment legislation including the *Workplace Gender Equality Act 2012* ("WGEA").

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

DEXUS has lodged its 2015-16 WGEA report containing DEXUS's most recent Gender Equality Indicators and a copy is available on DEXUS's website at [www.dexus.com](http://www.dexus.com)

The DEXUS gender diversity target to be achieved by 30 June 2016 was that 33% of non-executive directorships were to be held by women and 33% of senior management roles were to be held by women. As at 30 June 2016, DEXUS's workforce profile places women at 50% of Non-Executive Directors and 30% of senior manager roles. Women represent 51% of DEXUS's employees. DEXUS's definitions of 'Senior Management' and 'Measurable Objectives' are disclosed in its Diversity Target which is available at [www.dexus.com/boardpolicies](http://www.dexus.com/boardpolicies).

DEXUS undertakes Gender Pay Equity audits to gain insight into the effectiveness of its Diversity Principles and to review its position on diversity both internally and against external benchmarks. The results of this year's audit were presented to the Group Management Committee as part of a calibration process at the end of the annual DEXUS Compensation Review.

Supporting DEXUS's goal of gender equality and diversity in the workplace and to assist in reducing the superannuation gap for females, in 2015, DEXUS launched an initiative that ensures the continuity of superannuation contributions while employees are on unpaid parental leave. In addition to the 12 weeks paid parental leave that DEXUS offer, this initiative maintains superannuation payments for the entire parental leave period.

Diversity and flexibility is also a key focus of the Property Male Champions of Change (PMCC) which was established in 2015 by the Property Council of Australia (PCA). DEXUS's Chief Executive Officer, Darren Steinberg is an active member of the PMCC and participates in a Flexibility sub-committee. The PMCC's focus on driving gender equality in the property industry has resulted in members implementing initiatives relating to flexibility to increase the number of women in the industry and in leadership roles. Flexibility at DEXUS provides every employee with the opportunity to have a say in when, how, or where their work is performed. DEXUS supports flexible work practices in order to increase personal wellbeing and employee engagement, improve team performance and motivation, maximise productivity, retain talent, and encourage an organisational culture of diversity and inclusion. During 2016, the "All people flex" policy was launched which identifies a range of options available for managers and employees to develop flexible and innovative working arrangements that meet both personal and operational needs. Since the introduction we have seen a number of female and male employees take advantage of both informal and formal flexibility arrangements.

DEXUS is committed to supporting employees who are experiencing domestic or family violence to continue to participate in the workplace. This includes confidential support and assistance in relation to domestic violence. During 2016, DEXUS introduced a Domestic Violence Policy to allow employees experiencing domestic violence to access support in the form of paid time off work if required, and/or confidential counselling services.

DEXUS's Diversity and Inclusion Principles are available at [www.dexus.com/boardpolicies](http://www.dexus.com/boardpolicies)

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

### 1.6. Performance of the Board

The Board Nomination Committee oversees the Board performance evaluation program. The evaluation process looks at the performance of the Board and its committees. Individual director performance is also evaluated. When appropriate, an independent expert is retained to conduct the evaluation. Any areas for improvement identified in the performance evaluation process are agreed by the Board Nomination Committee which oversees the implementation of process enhancements.

The process for Board performance evaluation can be found at [www.dexus.com/boardpolicies](http://www.dexus.com/boardpolicies)

DEXUS also has a process for periodically evaluating the performance of the Chief Executive Officer and its other senior executives. Please refer to the Remuneration Report which is contained in the 2016 DEXUS Annual Report which is available at [www.dexus.com](http://www.dexus.com)

## PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

### 2.1 DEXUS corporate governance structure

The following Committees support the Board in discharging its responsibilities:

- Board Audit Committee
- Board Nomination Committee
- Board People & Remuneration Committee
- Board Risk Committee

Board Committee membership and responsibilities are revised regularly to ensure maximum effectiveness. The Terms of Reference for the DEXUS Board and the Board Committees are reviewed at least annually.

Non-Executive Directors have a standing invitation to attend any or all Board Committee meetings. Each Board Committee meeting has a standing agenda item to identify improvements to reporting or processes that would benefit the Committee, as well as any items that require immediate reference to the Board or a regulator (where applicable).

The Board Nomination Committee oversees all aspects of:

- Board renewal
- Board and Board Committee performance evaluation
- Director nominations

From 1 July to 28 October 2015, the members of the Board Nomination Committee were:

- Chris Beare, Chair, Non-Executive Director (Chair)
- John Conde AO, Non-Executive Director
- Richard Sheppard, Non-Executive Director

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

Following Mr Beare's departure from the DXFM Board, the members of the Board Nomination Committee for the 8 months ending 30 June 2016 were:

- Richard Sheppard, Chair, Non-Executive Director (Chair)
- John Conde AO, Non-Executive Director
- Darren Steinberg, Chief Executive Officer & Executive Director

From 27 July 2016 the members of the Board Nomination Committee are:

- Richard Sheppard, Chair, Non-Executive Director (Chair)
- John Conde AO, Non-Executive Director
- Penny Bingham-Hall, Non-Executive Director

The Board Nomination Committee met four times throughout the Reporting Period and all members attended all meetings.

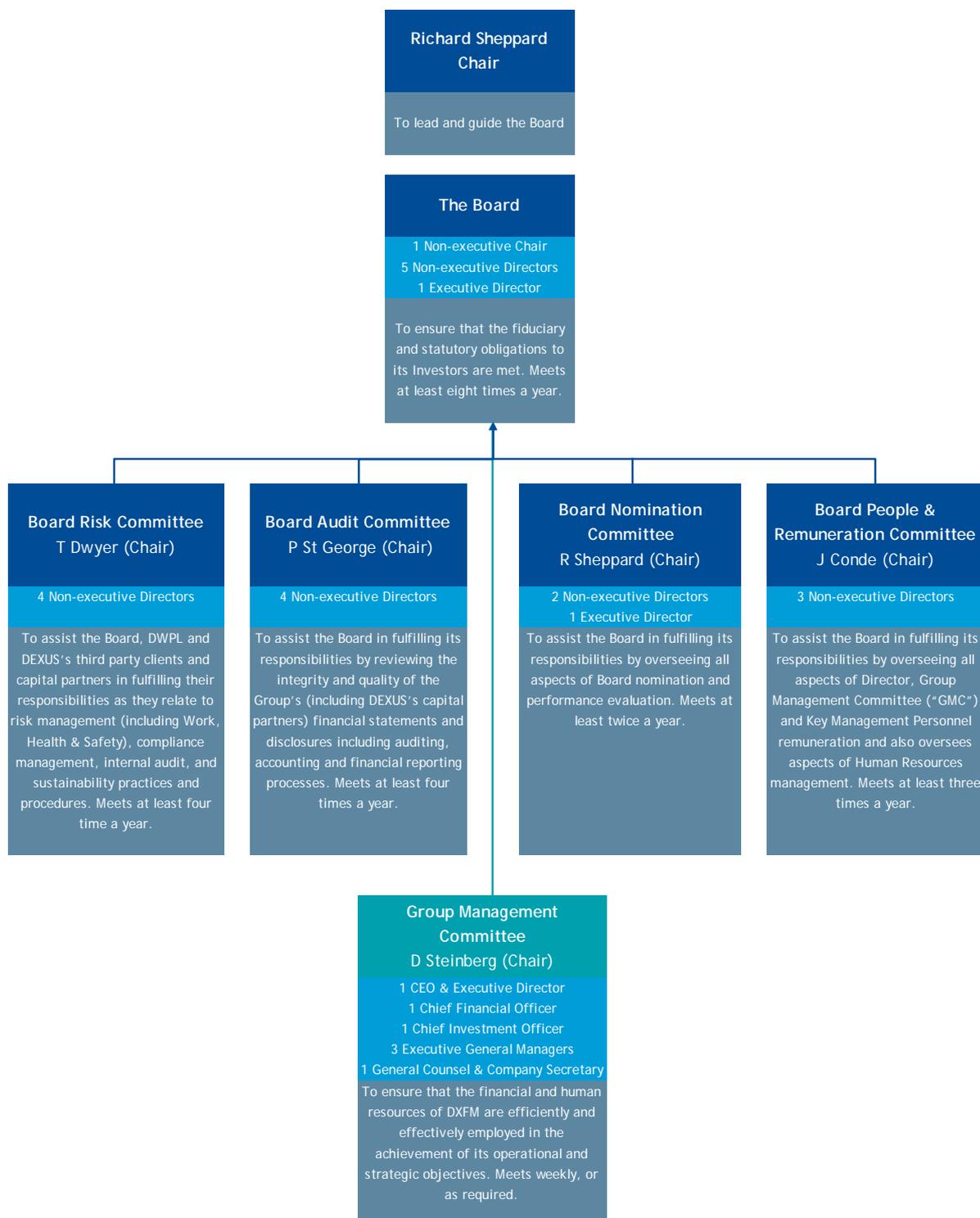
The Chief Executive Officer & Executive Director attends the Board Nomination Committee meeting by invitation.

The Board Nomination Committee Charter can be found at [www.dexus.com/boardcommittees](http://www.dexus.com/boardcommittees).

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

The Board and Board Committees are supported by Management Committees as set below (as at 30 June 2016):



# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

### 2.2 Board skills matrix

The Board Nomination Committee is responsible for reviewing the size, composition, diversity, skill and desired competencies of the Board and Board Committees (and recommending approval by the Board).

The Board Nomination Committee has identified the skills and expertise deemed necessary for the Board to fulfil its obligations.

The following table outlines the required skills and expertise that the Board should possess.

Areas of skills & expertise
<b>LEADERSHIP</b> <ul style="list-style-type: none"><li>▪ Directorship experience (past &amp; present)</li><li>▪ Senior management experience (past &amp; present)</li></ul>
<b>CAPITAL &amp; FUNDS MANAGEMENT</b> <ul style="list-style-type: none"><li>▪ Experience in the dynamics of raising capital and investment banking</li><li>▪ Experience in the management of third party funds</li></ul>
<b>FINANCE &amp; ACCOUNTING</b> <ul style="list-style-type: none"><li>▪ Experience in analysing accounting material &amp; financial statements and assessing financial viability</li><li>▪ Experience in understanding financial drivers/funding and business models</li></ul>
<b>GOVERNANCE</b> <ul style="list-style-type: none"><li>▪ Experience with corporate governance and standards of complex organisations</li><li>▪ Ability to assess and commitment to ensure the effectiveness of governance structures</li></ul>
<b>PEOPLE MANAGEMENT &amp; REMUNERATION</b> <ul style="list-style-type: none"><li>▪ Ability to manage people and influence organisational culture</li><li>▪ Experience in relation to remuneration and the legislation/framework governing remuneration</li></ul>
<b>PROPERTY EXPERIENCE (INCLUDING DEVELOPMENTS)</b> <ul style="list-style-type: none"><li>▪ Experience and industry knowledge in the management of properties including property development</li><li>▪ Understanding of stakeholder needs and industry trends</li></ul>
<b>RISK MANAGEMENT</b> <ul style="list-style-type: none"><li>▪ Experience in managing areas of major risk to the organisation</li><li>▪ Experience in workplace health &amp; safety, environmental &amp; community, social responsibility and technology matters affecting organisations</li></ul>
<b>STRATEGY</b> <ul style="list-style-type: none"><li>▪ Experience in mergers &amp; acquisitions activities</li><li>▪ Ability to guide and review strategy through constructive questioning and suggestions</li><li>▪ Experience in developments and successful implementation of strategy</li></ul>

The Board has also determined that director tenure and diversity is integral to a well-functioning board.

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

The Board has reviewed the skills of the current directors against the skill categories in the table above and has determined that the current composition of the Board meets or exceeds the minimum requirements in each category.

### 2.3 Size and Tenure

DEXUS has determined that the size of the Board should be small enough to be able to act quickly, but large enough to ensure a diverse range of views is provided on any issue.

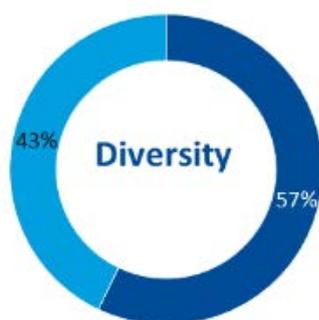
At 30 June 2016, the Board comprised seven members including six independent Non-Executive Directors and the Chief Executive Officer & Executive Director. The DXFM constitution allows for the appointment of up to 10 directors.

Details of directors as at 30 June 2016 are:

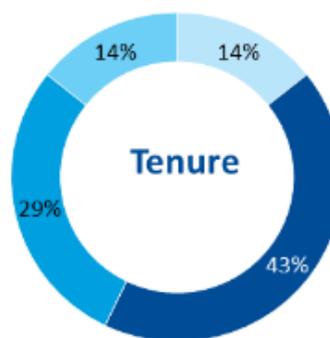
Name	Independent	Qualifications	Date appointed
Richard Sheppard (Chair)	Yes	BEC Hons	Director since 1 January 2012 and Chair since 28 October 2015
Elizabeth Alexander AM	Yes	BComm, FCA, FAICD, FCPA	Director since 1 January 2005
Penny Bingham-Hall	Yes	BA (Industrial Design), FAICD, SF (Fin)	Director since 10 June 2014
John Conde AO	Yes	BSc, BE (Hons), MBA	Director since 29 April 2009
Tonianne Dwyer	Yes	BJuris (Hons), LLB (Hons)	Director since 24 August 2011
Peter St George	Yes	CA(SA), MBA	Director since 29 April 2009
Darren Steinberg	No	BEC, FRICS, FAPI	Appointed Executive Director on 1 March 2012



- Economics
- Commerce/Accounting
- MBA
- Science
- Law
- Other



- Men
- Women



- 0-3 years
- 3-6 years
- 6-9 years
- 9+ years

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

### 2.4 Board independence

Non-Executive Directors must be free of any business or other relationship that could interfere materially with the exercise of their unfettered and independent judgement.

The Board has determined that each Non-Executive Director is independent as each Non-Executive Director:

- Is not a substantial security holder of DEXUS, nor otherwise associated with a substantial security holder of DEXUS
- Is not employed, nor within the last three years has been employed, in an executive capacity by DEXUS
- Has not been, within the last three years, a principal or an employee of a material professional adviser or a material consultant to DEXUS
- Has not been a material supplier or customer of DEXUS, or otherwise associated with a material supplier or customer
- Has no material contractual relationship with DEXUS (other than as a Non-Executive Director of DEXUS)
- Has not served on the Board for a period which could, or could reasonably be perceived to, interfere materially with the director's ability to act in the best interests of DEXUS
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, interfere with the director's ability to act in the best interests of DEXUS, and
- Is free from family ties or cross-directorships that may compromise director independence

The Board regularly assesses the independence of its directors in light of interests disclosed to it and has determined that each Non-Executive Director has maintained independence throughout the year. The Board consists of a majority of independent directors and the Chairman is independent and not the same person as the Chief Executive Officer.

### 2.5 Induction programs for new Directors

The Induction Program for newly appointed directors is comprehensive and includes familiarisation with specific structures, policies and legal documents including (but not limited to):

- Outline of the Corporate and Committee structure
- Organisational charts providing details of business units
- Terms of Reference for the Board and Board Committees
- Minutes of the previous Board and Board Committee meetings
- A copy of the Constitution
- A copy of the business plan
- DEXUS Compliance Management Framework
- DEXUS Risk Management Framework
- DEXUS Risk Appetite Statement
- Key DEXUS policies including:
  - Directors' Code of Conduct
  - Securities Trading (including inside information) Policy
  - Continuous Disclosure Policy

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

A newly appointed Non-Executive Director will meet with key members of management who will provide an overview of their areas of responsibility. Newly appointed Non-Executive Directors are encouraged to attend each of the Board Committee meetings to assist in understanding the DEXUS business model and approach to corporate governance.

### 2.6 Meetings

The Board generally meets monthly between February and November, with additional meetings held throughout the year as required. A Board Calendar is developed and agreed six months ahead of the new calendar year. The calendar provides dates of Board and Board Committee meetings.

Board meetings are normally held at the registered office of DEXUS, although some meetings may be held 'offsite' allowing directors to visit DEXUS owned and managed properties. To maximise participation, video conferencing facilities are utilised as required.

Each standard Board meeting includes a Non-Executive Director only session, led by the Chair, followed by a session in which the Executive Director joins the meeting. The remaining members of the Group Management Committee and Company Secretary then join the meeting.

Senior management is also available to provide clarification or answer questions directors may have either prior to the Board meeting or may be invited to attend and present at the Board meeting. Board papers are provided to directors electronically at least three business days prior to the meeting.

Any Action Items identified by the directors are recorded in the minutes. The Company Secretary ensures that the Action Items are appropriately addressed.

Agenda items for Board meetings are set by the Chair in conjunction with the Chief Executive Officer and Company Secretary and include (but are not limited to):

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

Some of the key areas addressed by the Board during 2016 included the:

- On market securities buyback
- Continued oversight of capital management
- Acquisition and divestment of office and industrial properties
- Enhancement of the Risk Appetite Statement
- Cyber and Security Risk issues
- Group Strategy



# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

Directors are required to attend all scheduled meetings unless prior approval is provided by the Chair. For the year to 30 June 2016, there was 98% attendance of Non-Executive Directors at all Board and Board Committee meetings (for which they are a member).

### 2.7 Access to training and information

Directors receive regular presentations by management and external advisers regarding sector, fund, and industry specific trends. Non-Executive Directors are encouraged to seek additional information from management as necessary.

Non-Executive Directors also attend property tours and are encouraged to pursue professional development opportunities at the Group's expense.

Should a Non-Executive Director wish to seek independent professional advice that they believe is necessary to discharge their responsibility as a director, the matter should initially be referred to the Chair. Where the Chair determines it is appropriate that advice be sought by the Non-Executive Director, DEXUS will pay for such advice.

### 2.8 Membership on other Boards

The Board acknowledges that concurrent service on multiple boards by DEXUS directors may impact their overall performance and ability to devote adequate time to each board/position. The Board recognises that the time required to fulfil each directorship role varies and as a result, has determined that it is not appropriate to set a limit on the total number of directorships held.

Directors will consider the number of directorships they hold to ensure they have sufficient time to attend to the affairs of DEXUS Property Group. Should a director wish to accept directorships in addition to those already held, the matter is referred to the Chair for approval.

## PRINCIPLE 3 - ACT ETHICALLY AND RESPONSIBLY

### 3.1 Codes of Conduct

To meet statutory and fiduciary obligations (including those relating to the management of third party funds and capital partners) and to maintain confidence in its integrity, the Board implements a series of clearly articulated policies and procedures to which all employees must adhere. These policies are reviewed at least annually. In particular:

- The Board considers it important that all employees meet the highest ethical and professional standards and has established an Employee Code of Conduct and a Directors' Code of Conduct. Any alleged breach of the Codes of Conduct is investigated. A significant breach may result in termination of employment
- DEXUS's Anti-Bribery policy addresses the acceptance and granting of gifts and benefits and reinforces the Group's commitment not to donate to political parties

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

- The Group strongly supports the identification and disclosure of corrupt conduct, illegality or substantial waste of company assets under its Good Faith Reporting Policy. Employees who make such disclosures are protected from any detrimental action or reprisal, and an independent external disclosure management service provider has been appointed to ensure anonymity for those reporting incidents

All employees are required to confirm, on an annual basis, compliance with key DEXUS policies. In 2016, employees were asked to confirm ongoing compliance with policies addressing:

- Code of Conduct
- Compliance Incidents
- Good Faith Reporting
- Conflicts of Interest (Personal and Business), and
- Securities Trading (including inside information)

DEXUS Board and Corporate Policies are available at [www.dexus.com/corporategovernance](http://www.dexus.com/corporategovernance)

### 3.2 Trading in DEXUS securities

The Group's Securities Trading (including inside information) Policy applies to directors and employees who wish to invest in DEXUS securities for themselves or on behalf of an associate.

The policy requires any Non-Executive Director who wishes to trade in DEXUS securities to obtain approval from the Chair and General Counsel/Company Secretary. Should the Chair wish to trade in DEXUS securities, approval is required from a Non-Executive Director and General Counsel/Company Secretary.

Employees wishing to trade in DEXUS securities must obtain written approval from the Chief Executive Officer and Head of Risk & Compliance before entering into a transaction.

Non-Executive Directors and employees are permitted to trade DEXUS securities only in defined trading windows, provided approval has been granted and only if they are not in possession of inside information.

In the event that the Chair, Chief Executive Officer or General Counsel considers that there is the potential that inside information may be held or that a significant conflict of interest may arise, trading will not be permitted, even during defined trading windows.

The Securities Trading Policy is available at [www.dexus.com/boardpolicies](http://www.dexus.com/boardpolicies)

### 3.3 Conflicts of interest and related party dealings

The Group's Conflicts of Interest policies address the management of conflicts of interest and related party transactions which may arise:

- When allocating property transactions; where a new property acquisition opportunity meets the mandate of more than one DEXUS client (including DEXUS)

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

- When negotiating leases; where a prospective tenant is interested in more than one property owned by different DEXUS clients (including DEXUS)
- When executing transactions between DEXUS clients (including DEXUS)
- When the personal interests of an employee or director conflict with those of DEXUS or its clients

Where a conflict of interest is identified, the Risk & Compliance team liaises with the business representatives to ensure effective and timely management of the conflict. Where information barriers are put in place, the team monitors compliance with the relevant policies.

On a monthly basis, the General Counsel reports to the Board on related party transactions and the Head of Risk & Compliance reports conflicts of interest to the Board Risk Committee each quarter.

Leasing Conflicts of Interests that have been identified and managed during the quarter are reported to:

- Group Management Committee
- Compliance, Risk & Sustainability Committee
- Board Risk Committee
- Relevant capital partners and mandates

Where there is an actual, potential or perceived conflict of interest between the personal interests of a director and the duties the director owes to DEXUS, the director is required to disclose the circumstances to the Chair for determination as to the most appropriate method in which to manage the conflict.

A director with an actual, potential or perceived conflict in relation to a matter before the Board will be excluded from attending that part of the Board meeting. Papers and minutes in relation to the matter will not be provided to the director.

During 2016, a Leasing Management System was implemented that enhanced the process for identifying conflicts.

### 3.4 Responsible investment

DEXUS has an Environmental Management Policy which aims to minimise the overall environmental impact of its operations, both in the development of new properties and the management of existing properties. As a signatory to the United Nations Principles of Responsible Investment (UNPRI), DEXUS incorporates these principles into its investment decisions.

## PRINCIPLE 4 - SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### 4.1 Board Audit Committee

To ensure the accurate presentation of each Trust's financial position, DXFM has in place a structure of review and authorisation, where the Board Audit Committee reviews (among other matters):

- Financial statements of each entity

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

- Independence and competence of the external auditor
- Semi-annual management representations to the Committee, affirming the veracity of each entity's Financial Statements

The Board Audit Committee's Terms of Reference require that all members are Non-Executive Directors with financial expertise and an understanding of the industry in which DEXUS operates. The Board Audit Committee:

- Has access to management
- Has unrestricted access to external auditors without management present
- Has the opportunity to seek explanations and additional information as it sees fit
- May also obtain independent professional advice in the satisfaction of its duties at the cost of the Group and independent of management

The Board Audit Committee meets as frequently as required to undertake its role effectively, but not less than four times a year, and the external auditor (PricewaterhouseCoopers) is invited to attend all meetings. The Board also requests that the external auditor of DXFM and its related trusts and entities, attends the Annual General Meeting of the Group and is available to answer questions relating to the audit of the Group's financial statements, preparation and content of the auditor's report, the accounting policies adopted by the Group and auditor independence.

During the Reporting Period, the members of the Board Audit Committee were:

- Peter St George, Chair, Non-Executive Director
- Richard Sheppard, Non-Executive Director (Chair)
- Elizabeth Alexander AM, Non-Executive Director
- Tonianne Dwyer, Non-Executive Director

The qualifications and experience of each of the Board Audit Committee members can be found at [www.dexus.com/board](http://www.dexus.com/board). All these directors are independent, including the Chair. During the Reporting Period, the Board Audit Committee met four times and all members attended all meetings of the Board Audit Committee.

The following are provided to the Board Audit Committee as required:

- Representations from the Chief Executive Officer and the Chief Financial Officer on a semi-annual basis on the veracity, maintenance and compliance with laws of the Financial Statements and effectiveness of the financial risk management systems
  - A fraud risk questionnaire completed by the Compliance, Risk & Sustainability Committee semi-annually to advise of any instances of actual or perceived fraud during the period
- PricewaterhouseCoopers continues as statutory auditor of DXFM and its related trusts and entities.

The Board Audit Committee charter is available at [www.dexus.com/boardcommittees](http://www.dexus.com/boardcommittees).

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

In order to ensure the independence of the statutory auditor, the Committee has responsibility for approving the engagement of the auditor for any non-audit service greater than \$100,000. At 30 June 2016, fees paid to the external auditor for non-audit services were 36.2% of audit fees (up from 11.3% at 30 June 2015 due to work performed by the auditor in relation to the proposed acquisition of Investa Office Fund).

DEXUS's policy on the selection and appointment of the external auditor is outlined in the Auditor Independence Policy available at [www.dexus.com/boardpolicies](http://www.dexus.com/boardpolicies)

### PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

#### 5.1 Continuous disclosure

To ensure continuous disclosure obligations are met, DEXUS has the following procedures in place:

- Ongoing education of managers and directors ensuring all parties clearly understand the ASX Listing Rule obligations and the consequences of a breach
- Efficient reporting channels capturing potential information requiring disclosure and bringing it to the immediate attention of the Chief Executive Officer or the General Counsel
- An effective monitoring system which helps ensure ongoing compliance
- A clear and concise policy outlining obligations and expectations of our employees in the identification and management of matters that may require disclosure to the market.

DEXUS has established a Continuous Disclosure Committee to assist in the identification and reporting of material matters to the market in the spirit of legislation and regulations.

The Continuous Disclosure Committee members comprise:

- General Counsel & Company Secretary (Chair)
- Chief Executive Officer
- Chief Financial Officer
- Chief Investment Officer
- EGM - Investor Relations, Communications and Research

The Continuous Disclosure Committee meets on a regular basis to consider whether any disclosure obligation is likely to arise as a result of the activities being undertaken by the Group. The Continuous Disclosure Committee is comprised of executives based at DEXUS's corporate head office allowing meetings to be held at short notice.

The Continuous Disclosure Committee ensures:

- Investors continue to have equal and timely access to material information, including the financial status, performance, ownership and governance of the Trusts
- Announcements are factual and presented in a clear and balanced way

Management is required to provide a quarterly attestation to the Risk & Compliance team that there have been no issues within their area of responsibility that would be subject to continuous disclosure requirements.

The Chief Executive Officer and/or General Counsel will immediately notify the Chair of the Board should any material concern arise regarding continuous disclosure. The Chair will then decide whether the issue should be further referred to the full Board or a nominated Board Committee or Sub-Committee prior to any market release being made, if considered appropriate.

The Board has a standing Agenda Item for it to assess if there are any matters that should be disclosed to the market.

The Continuous Disclosure Policy is available at [www.dexus.com/corporatepolicies](http://www.dexus.com/corporatepolicies)

## PRINCIPLE 6 - RESPECT THE RIGHTS OF SECURITY HOLDERS

### 6.1 Annual General Meeting

The Board conducts an Annual General Meeting (AGM) increasing the number of opportunities it has to interact with DEXUS Security holders.

Each AGM is designed to:

- Supplement effective communication with Security holders
- Provide them with ready access to balanced and readily understandable information
- Increase the opportunities for participation
- Facilitate Security holders' rights to appoint Non-Executive Directors to the Board of DXFM

DEXUS recognises the importance of Security holder participation at the AGM and supports and encourages that participation.

The Group's policy is that all directors attend the AGM, and in 2015 all directors attended the AGM.

The external auditor of the Trusts attends each AGM and is available to answer investor questions regarding the conduct of the audits of the Trusts' financial records and their Compliance Plans, as well as the preparation and content of the Auditor's Report.

DEXUS engages an independent service provider, Link Market Services, to conduct any Security holder vote required at the AGM. To facilitate participation, the AGM is webcast live and archived for viewing on DEXUS's website for those Security holders unable to attend the meeting. The results of voting on the items for the formal business of the meeting are released to the market and posted to DEXUS's website after the AGM.

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

### 6.2 Stakeholder communication

In addition to conducting an AGM, the Group has an investor relations and communications strategy that promotes an informed market and encourages participation with investors. This strategy involves providing an open and ongoing two-way dialogue with the investment community and other key stakeholders that integrates the communication of financial and operational performance and regulatory reporting requirements.

Annual and half-year financial results presentation briefings with institutional investors and analysts are webcast and made available to all investors on DEXUS's website.

DEXUS's website enables access to all ASX announcements and media releases, annual and half year reviews, annual reports, presentations and analyst support material. Investors can subscribe to alerts from the website to receive communications from DEXUS immediately after release. The website also provides historical distribution and tax information and includes an "investor login" section to enable security holders to update their details directly and download statements from Link Market Services.

DEXUS maintains an Investor Relations app available for iPhone, iPad and Android users that provides Security holders with instant access to corporate and stock information such as recent announcements, results reporting and research reports. DEXUS has a LinkedIn profile which enables it to 'push' news stories and ASX releases to its large network of DEXUS followers.

Any enquiries received from DEXUS Security holders are addressed in a timely manner in accordance with DEXUS's policy on handling of enquiries and complaints. Security holders are given the option to receive communications from, and send communications to, DEXUS and Link Market Services electronically (where permitted by law).

The Communications Policy is available at [www.dexus.com/corporatepolicies](http://www.dexus.com/corporatepolicies)

## PRINCIPLE 7 - RECOGNISE AND MANAGE RISK

### 7.1 Board Risk Committee

The Board Risk Committee oversees risk management within DEXUS. The Committee oversees the Group's enterprise risk management practices, as well as work health & safety, environmental management, sustainability initiatives, compliance and internal audit practices. It also oversees the effectiveness of the Group's Risk Management Framework and Compliance Management Framework.

DEXUS's Risk Management Policy, the Committee's charter and Compliance Management Framework is available at [www.dexus.com/corporatepolicies](http://www.dexus.com/corporatepolicies) During the Reporting Period, the members of the Board Risk Committee were:

- Tonia Dwyer, Chair, Non-Executive Director
- Penny Bingham-Hall, Non-Executive Director
- Richard Sheppard, Non-Executive Director (Chair)
- Peter St George, Non-Executive Director

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

All members of the Board Risk Committee are independent including the Chair. The Board Risk Committee met four times during the Reporting Period and each member attended all meetings.

While most risks are identified, managed and monitored internally, DEXUS has appointed independent experts to undertake monitoring of health and safety, environmental risks and other risks where expert knowledge is essential to ensure DEXUS has in place best practice processes and procedures. The Board Risk Committee is empowered to engage consultants, advisers or other experts independent of management.

### 7.2 Risk management

The management of risk is an important aspect of DEXUS's activities, and the Group has a segregated risk function reporting to the General Counsel on a day-to-day basis, as well as a Compliance, Risk & Sustainability Committee that supports the Board Risk Committee.

The Head of Risk & Compliance has direct access to the Chief Executive Officer and Non-Executive Directors.

Risks to DEXUS arise from both internal and external factors and include:

- Strategic risks
- Market risks
- Health and safety risks
- Operational risks
- Environmental risks
- Financial risks
- Regulatory risks
- Reputational risks
- Fraud risks

Further information relating to the identification and management of risks is available in the Risks section on page 15 of the 2016 DEXUS Financial Accounts.

The Risk & Compliance team promotes an effective risk and compliance culture by providing advice, drafting and updating relevant risk and compliance policies and procedures, conducting training and monitoring and reporting adherence to key policies and procedures.

Frameworks have been developed and implemented in accordance with ISO 31000:2009 (Risk Management) and AS 3806:2006 (Compliance Programs).

The functions of the Risk & Compliance team include risk and compliance management and internal audit. The ongoing effectiveness of the risk management, compliance management and internal control systems is reported by the Head of Risk & Compliance to the Board Risk Committee.



# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

DEXUS's internal control procedures are also subject to annual independent verification as part of the GS007 (Audit Implications of the Use of Service Organisations for Investment Management Services) audit.

During 2016, the Board Risk Committee also focused on:

- Enhancements to the Risk Appetite Statement
- Security risk management at head office and across the portfolio as a result of the heightened terrorist alert announced by Australian National Security
- Work health and safety acknowledging both physical and mental health
- Identification and management of conflicts of interest
- Enhanced monitoring of DEXUS Sydney CBD assets following a Legionella outbreak in May 2016

### 7.3 Internal audit

The internal audit program has a three year cycle, the results of which are reported quarterly to the Compliance, Risk & Sustainability Committee and to the Board Risk Committee.

DEXUS has appointed Ernst & Young to perform the internal audit program. An Ernst & Young partner attends each Board Risk Committee to present findings of internal audits undertaken during the quarter.

### 7.4 Material exposures

DEXUS does not have any material exposure to economic, environmental and social sustainability risks. DEXUS is committed to managing any risks on an ongoing basis as part of the Risk Management Framework. Please refer to the Risks section on page 15 of the 2016 DEXUS Financial Accounts for further information.

## PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

### 8.1 Board People & Remuneration Committee

The Board People & Remuneration Committee oversees all aspects of:

- Director and Executive remuneration
- Director, Chief Executive Officer and management succession planning

From 1 July to 28 October 2015, the Board People & Remuneration Committee was comprised of three Non-Executive Directors:

- John Conde AO, Chair, Non-Executive Director
- Chris Beare, Non-Executive Director
- Penny Bingham-Hall, Non-Executive Director

# DEXUS Property Group (ASX: DXS)

## ASX Corporate Governance Council Principles and Recommendations Reconciliation

Following Mr Beare's departure from the DXFM Board, the members of the Board People & Remuneration Committee for the 8 months ending 30 June 2016 were:

- John Conde AO, Chair, Non-Executive Director
- Penny Bingham-Hall, Non-Executive Director
- Richard Sheppard, Non-Executive Director (Chair)

All members of the Committee are independent including the Chair. The Board People & Remuneration Committee met six times during the Reporting Period and each member attended all meetings. The Board People & Remuneration Committee charter is available at [www.dexus.com/boardcommittees](http://www.dexus.com/boardcommittees)

The Chief Executive Officer and Executive General Manager, Customer and Marketing attend the Board People & Remuneration Committee meeting by invitation.

It is the practice of the Board People & Remuneration Committee to meet without executives, and non-committee members are not in attendance when their own performance or remuneration is discussed.

Details of the Group's remuneration framework for Executives, Non-Executive Directors and employees are set out in the Remuneration Report that forms part of the Directors' Report contained in the 2016 DEXUS Financial Accounts starting on page 18. Policies and practices regarding the remuneration of Non-Executive Directors, Executive Directors and other executives are separately disclosed. There are no schemes for retirement benefits (other than compulsory contributions to superannuation) for Non-Executive Directors.