



Great result & great annual report

Company/ASX Code	Dexus Property Group/DXS
AGM date	30 October 2019
Time and location	2.00 pm, Level 15, Governor Macquarie Tower, 1 Farrer Place, Sydney
Registry	Link
Webcast	Yes - Audio
Poll or show of hands	Poll on all items
Monitor	John Cowling assisted by Pietro Bergamaschi
Pre AGM-Meeting?	Yes, with Chair Richard Sheppard & David Yates (GM Investor Relations)

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

The 2019 Annual Report has been prepared under International Integrated Reporting Council Framework and is an excellent summary of the value created across DXS's key resources.

Dexus achieved an Adjusted Funds from Operations (AFFO) of \$517.2m (2018 \$485.5m) or 50.3 cents per security and paid a distribution of 50.2 cents per security (2018 47.8 cents).

Governance and culture

Strong governance platform & culture with the recognition that this is the basis for the long-term success of the group.

Financial performance

2019 total shareholder return (TSR) totalled 39.4% compared to S&P/ASX 200 Property Accumulation Index of 19.3%.

Key events

In May 2019 an equity raising, comprising a \$900m institutional placement and a \$50m share purchase plan (SPP) was used to partially fund the acquisition of 75% of 80 Collins Street Melbourne (see ASA focus issues below).

Key Board or senior management changes

None

ASA focus issues

Shareholder participation

In response to strong interest for the SPP DXS increased the SPP cap from \$50 million to \$ 63.9 million in June 2019 to enable all eligible applications to be accepted.

Board Composition & Directors' Skills

The DXS board is well balanced and diverse in terms of tenure, gender, skills & board experience with 50% of directors having deep practical working experience in the property and funds management sectors.

Directors workload of other directorships is well within reason and it is noted that 75% of the board has taken on director's roles in charities, not-for-profits or public service organisations.

Two directors have been on the Board for 10 years and they now need to consider their independence from management (the CEO has been an executive director for 8 years).

There are no "passengers" on the board, and all contribute at both the board and board sub-committee levels through their wide range of skills and experience.

Remuneration Disclosure

The remuneration framework and disclosure has been upgraded under Penny Bingham-Hall's chairing of the Remuneration Committee and the 21-page report is both clear and easy to read. The report lists the focus areas considered by the Remuneration Committee in 2019 and the areas for focus in 2020.

Skin in the Game

A minimum-security holding guideline was introduced in 1 July 2018 with all Executive key management personnel (KMP) targeting to attain minimum security holding by 1 July 2023. 4 of the 5 KMP have already achieved or exceeded their minimum holding.

Non-executive directors (NEDs) are expected to hold 16,500 DXS securities (approximate value \$214,000) compared to average director's fees of \$220,000. This holding must be acquired over 5 years from appointment and DXS is introducing a director's fee sacrifice program in FY20 to facilitate NEDs purchase these securities.

Except for the 2 new directors (appointed in 2017 & 2018) all directors meet or exceed the minimum requirement.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	1,281.0	1,728.9	1,264.2	1,259.8	618.7
UPAT (\$m)	681.5	653.3	617.7	610.8	544.5
Share price (\$)	12.98	9.71	9.48	9.02	7.30
Dividend (cents)	50.2	47.8	45.5	43.5	41.0
TSR (%)	39.4	7.5	10.1.	30.3	15.8
FFO/Security (cents)	50.3	47.7	45.4	42.7	40.4
CEO total remuneration, actual (\$m)	6.4	5.4	3.9	3.8	2.8

For 2019 the CEO's total actual remuneration was **73 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Item 2 Resolution 1	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

1. There are 5 KMPs
 - a. CEO DJ Steinberg
 - b. CFO AC Harrop
 - c. CIO RG Du Vernet
 - d. Exec GM Office KL George
 - e. Exec GM Funds management DC Coakley
2. The remuneration strategy focuses on three elements
 - a. Achieving DXS Vision
 - b. Delivering the Strategy
 - c. Attracting & Retaining Staff
 - d. The underlying principles are –
 - i. Alignment with DXS culture
 - ii. Performance
 - iii. Market competitive
 - iv. Sustainable
 - v. Simple & transparent

3. The remuneration structure targets are –
 - a. Fixed remuneration 29% for CEO and 36% for other KMPs 100% paid in cash;
 - b. Short-term incentive (STI) 28% for CEO and 36% for other KMPs paid 75% cash and 25% in security rights, half vested after one year and half vested after second year;
 - c. Long-term incentive (LTI) 43% for CEO and 28% for other KMPs paid 100% in security rights; half vested after 3 years and half vested after 4 years.
 - d. Outperformance will result in up to 125% of the STI and LTI targets being awarded.
4. The scorecard is based on 80% financial performance and 20% non-financial measures
5. STI (equivalent to 100% of fixed remuneration) is awarded 80% on financial targets (50% FFO target and 50% return on capital employed (ROCE) target) and 20% on non-financial targets (culture, environment, Occupational Health and Safety (OHS), customer and specific individual objectives for the respective KMP). 75% is paid in cash and 25% as securities deferred between 1 and 2 years.
6. The CEO; CIO and GM (Funds) achieved 125% of the STI and the CFO and GM (Office) achieved 110%. The cash component (75%) will be paid in August 2019 and the security rights (25%) begin vesting on 1 July 2020.
7. LTI vesting during 2019 related to the 2014 and 2015 LTI plans and the KMPs achieved 95% vesting for 2014 and 100% for 2015 based on performance.
8. LTI entitlement (equivalent to 150% of Fixed Remuneration) is based 50% on FFO target (3% - 5% growth) and 50% on ROCE target of 7% - 10%. Half the entitlement is awarded at the lower target and 100% of target is awarded at the higher hurdle. Intermediate achievement is awarded on a straight-line basis. (both hurdles must be met, or zero entitlement is awarded).
9. 50% of the LTI is assessed against achieving the targets over a 3-year performance period and 50% over a 4-year period.
10. No over award payment is made for exceeding the targets. Failure to meet performance targets result in zero awards.
11. Vesting of the LTI for 2019 will begin in 2022.
12. Main terms of Executive KMP employment contracts are included in the report
13. NED remuneration and security holdings are fully disclosed
14. Additional disclosures including vesting during 2019; unvested entitlements and equity holdings of KMPs.
15. It is noted that securities are vested at Face Value (not Fair Value) and securities vested are purchased on market (rather than extra securities issued).
16. Fixed Remuneration is just that – Fixed.
17. Although the CEO received no increase in Fixed Remuneration for FY2020 the other Executive KMPs will receive an average increase of 3.5%.

Overall Conclusion

18. The balance of Fixed remuneration, STI and LTI puts a strong emphasis on the long-term growth in earnings and ROCE with a split of 50% cash and 50% securities in the overall CEO package.
19. Although ASA prefers a TSR measure, the use of FFO and ROCE is considered satisfactory as they are the main drivers of the long-term market prices of the security which may fluctuate in the short term for reasons other than the long-term sustainability of the group.
20. As a property group operating in a sector subject to long term business cycles this fact is recognised by the Remuneration Committee who have remodelled the CEO and KMPs packages accordingly to meet this challenge of longer timeframes for remuneration.

Item 2	Approval of LTI grant to CEO Darren Steinberg
ASA Vote	For

Summary of ASA Position

The grant of LTI security rights is the equivalent of 150% of Mr Steinberg's fixed salary plus superannuation of \$1,600,000, namely \$2,400,000.

The rights are calculated on a "face value" basis being the VWAP over 10 days each side of 1 July 2019, namely \$13.4759.

This grant amounts to 178,094 securities.

As mentioned above the LTI will not be awarded if the performance conditions are not met.

Item 3	Approval of Independent Director – Mark Ford
ASA Vote	For

Summary of ASA Position

Mr Ford is a well-qualified and experienced property manager and director with 25 years in the industry. He is Chair of another property group and holds 2 other directorships. He was first appointed in November 2016.

Mr Ford also sits on the Audit Committee and the Risk Committee.

Item 3	Approval of Independent Director – The Hon. Nicola Roxon
ASA Vote	For

Summary of ASA Position

Ms Roxon has extensive experience in public service for over 20 years having been the Federal Attorney General and the Federal Minister for Health & Ageing. She is the Independent Chair of HESTA and holds another directorship. She was first appointed in September 2017.

Ms Roxon also sits on the People & Remuneration Committee and the Risk Committee

Item 4.1	Ratification of Institutional Placement
ASA Vote	For

Summary of ASA Position

In May 2019 DXS made a \$900 million Institutional Placement and an SSP of \$63.9 million to fund the purchase of a 75% holding in 80 Collins Street Melbourne.

The SPP was originally set at \$50 million but due to strong demand from existing security holders the cap was lifted, and all eligible applications were accepted (and not scaled back).

Approval of the Institutional Placement (but not the SSP) is required under ASX listing rule 7.1.

The capital raising is in keeping with DXS conservative approach to funding.

Item 4.2	Ratification of Note Issue
ASA Vote	For

Summary of ASA Position

In March 2019 DXS made a \$425 million Exchangeable Note Issue to fund an additional 25% interest in the MLC centre in Sydney.

Approval of the Exchangeable Note Issue is required under ASX listing rule 7.1.

The Exchangeable Note Issue is in keeping with DXS conservative approach to funding.

The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

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