

Material issues

Our material issues are informed by our knowledge of our business environment and play a key role in business planning.

Dexus has used the materiality definitions from the Integrated Reporting Framework and the GRI Standards, which consider material issues to be those that are of high importance to our stakeholders and that affect the organisation's ability to create value over the short, medium and long term.

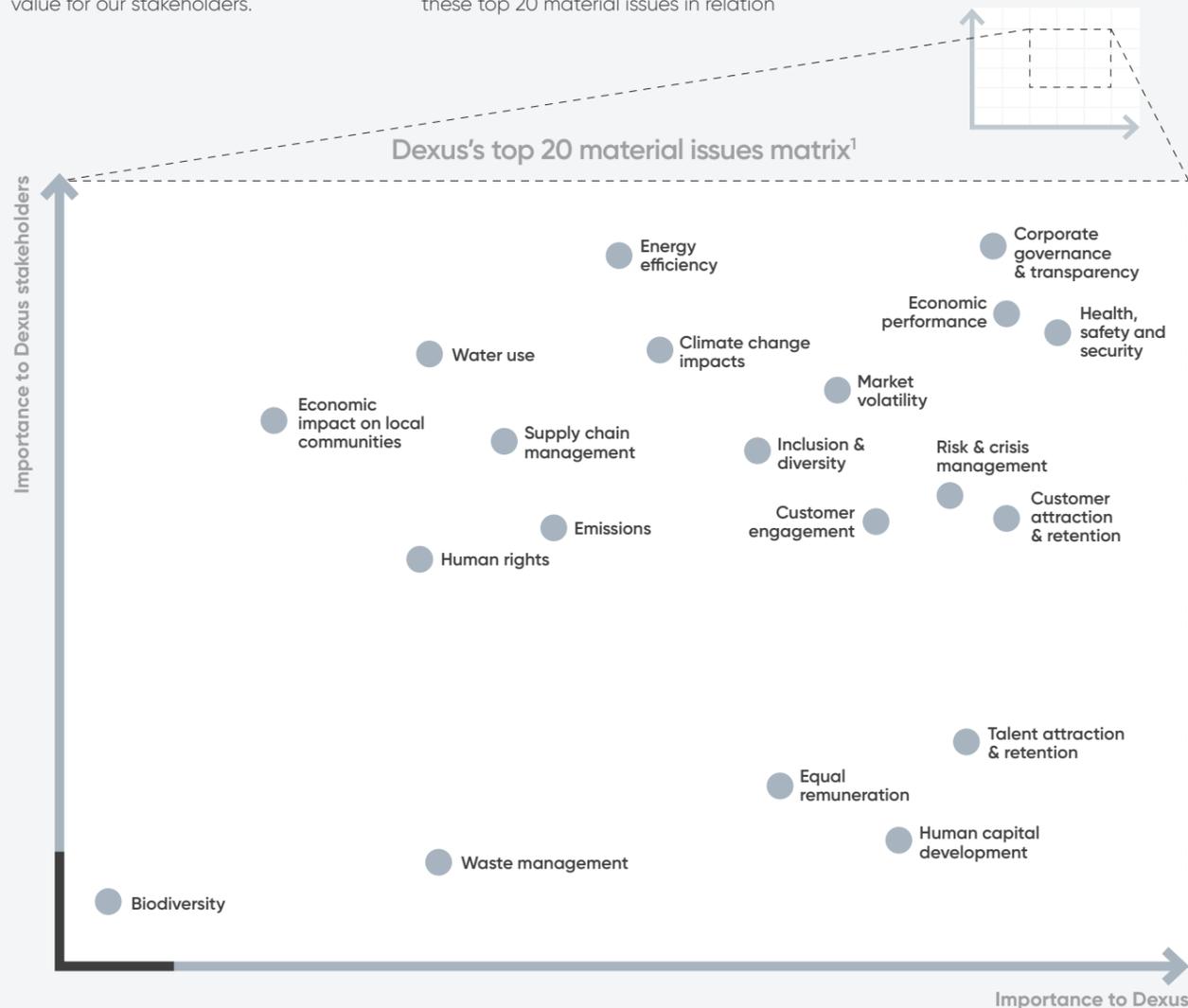
This year, we undertook a materiality assessment to identify key topics that impact our ability to create value for our stakeholders.

We included issues that linked to strategy, governance, performance or opportunities, while considering what was important to key stakeholders and what we as a company can have a material impact upon.

We have created a matrix to assist in prioritising the top 20 material issues as the basis for ongoing disclosure. The matrix shows the importance that Dexus and its stakeholders place on these top 20 material issues in relation

to their impact on our ability to create value. In the key risks section on page 24, we show how these material issues relate to key business risks.

Further information on our Materiality process is included in our 2019 Sustainability Performance Pack available on our website at www.dexus.com



1. Each of the listed material issues are considered of high importance to Dexus stakeholders and to Dexus's business.

Our material issues influence our ability to create value by impacting one or more of the key resources that Dexus relies on.

We have reviewed the impact that each material issue has on our key resources and have arranged these into two main categories: a material impact and an important connection. The Financial key resource column in the table below recognises that all material issues ultimately impact our ability to create financial value.

Further information on how these material issues influence our respective key resources is provided on pages 28-61 and in the 2019 Sustainability Performance Pack.

	Financial	Properties	People and capabilities	Customers and communities	Environment
Biodiversity	●				●
Climate change impacts	●	●		●	
Corporate governance & transparency	●		●	●	
Customer attraction & retention	●	●		●	
Customer engagement	●	●		●	
Economic impact on local communities	●	●		●	
Economic performance	●				
Emissions	●			●	●
Energy efficiency	●	●			●
Equal remuneration	●		●		
Health, safety & security	●		●	●	
Human capital development	●		●		
Human rights	●		●	●	
Inclusion & diversity	●		●		
Market volatility	●	●			
Risk & crisis management	●	●	●		
Supply chain management	●	●		●	
Talent attraction & retention	●		●		
Waste management	●	●			●
Water use	●	●			●

● Material impact ● Important connections ● Recognises influence on financial value creation

Key risks

There are various risks that could impact Dexus's strategy and outlook. We understand that effective risk management requires an understanding of risks during all phases of the investment life cycle.

We actively review and manage the risks facing our business over the short, medium and long-term, overseen by the Board Risk Committee. Periodically, we formally re-assess our key risks through an extensive process, facilitated by an independent specialist. In the intervening years, an annual management review of the key risks is conducted in line with reporting disclosure requirements.

This year, we undertook risk assurance mapping which reviewed the assurance program and the key risks. We also reviewed risk ratings and control processes. In this section we outline our key risks and Dexus's approach to responding to them, combined with how the key risks link to our material issues and key resources. For more information on our material issues, refer to page 22 or the 2019 Sustainability Performance Pack.

Key risk	Link to material issues	Potential impacts	How Dexus is responding	Link to key resources
<p>Performance</p> <p>Ability to meet market guidance, deliver superior risk adjusted performance relative to industry benchmarks and complete developments in line with expectations.</p>	<ul style="list-style-type: none"> - Economic performance - Economic impact on local communities - Customer attraction & retention 	<ul style="list-style-type: none"> - Reputational damage - Reduced investor sentiment (equity and debt) - Loss of broader community confidence - Reduced credit ratings and reduced availability of debt financing 	<p>The group's risk appetite is reviewed and approved annually by the Board and reviewed by management on a quarterly basis. The Board approved strategy is formally reviewed throughout the year with processes in place to monitor and manage risks that may impact on performance.</p> <p>The Investment Committee is responsible for material investment decisions, subject to delegated authority, and detailed due diligence is undertaken for all acquisitions and divestments. External experts are appointed to assist in the design and costing process for developments. These procedures are designed to mitigate against poor performance outcomes by ensuring decisions are made using relevant information and in the best interests of Dexus's Security holders.</p>	
<p>Capital markets</p> <p>Positioning the capital structure of the business to withstand unexpected changes in equity and debt markets.</p>	<ul style="list-style-type: none"> - Economic performance - Market volatility 	<ul style="list-style-type: none"> - Constrained capacity to execute strategy - Increased cost of funding (equity and debt) - Reduced investor sentiment (equity and debt) - Reduced credit ratings and reduced availability of debt financing 	<p>Our 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.</p> <p>Further information relating to financial risk management is detailed in Note 12 of the Financial Statements.</p>	
<p>Key client</p> <p>Retention of existing wholesale third party client or funds management partner.</p>	<ul style="list-style-type: none"> - Economic performance - Corporate governance & transparency 	<ul style="list-style-type: none"> - Inability to attract new third party capital partners or loss of existing third party capital partners - Reduced funds management income 	<p>Our funds management model includes strong governance principles and processes designed to build and strengthen relationships with existing and new third party capital partners. Our active approach to engagement across the business enables employees to understand the interests of third party capital partners and design strategies to maintain partner satisfaction. Our funds management team also undertakes a periodic client survey to understand perceptions and identify areas for improvement.</p>	
<p>Compliance and regulatory</p> <p>Compliance with regulatory requirements including continuous disclosure, ASX Listing Rules, REIT status and Dexus policies and procedures.</p>	<ul style="list-style-type: none"> - Corporate governance & transparency 	<ul style="list-style-type: none"> - Reputational damage - Loss of broader community confidence - Increased compliance costs - Sanctions impacting on business operations - Reduced investor sentiment (equity and debt) 	<p>We maintain comprehensive compliance policies and procedures that are regularly updated to ensure the business operates in accordance with regulatory expectations. Our employees and service providers receive training on their compliance obligations and are encouraged to raise concerns as appropriate. Independent industry experts are appointed to undertake reviews where appropriate.</p>	
<p>Cyber/data and governance</p> <p>Management and maintenance of data security.</p>	<ul style="list-style-type: none"> - Risk & crisis management - Corporate governance & transparency 	<ul style="list-style-type: none"> - Lost productivity following cyber disruption - Reputational and/or financial damage - Negative impact on customer and/or funds management partner relationships 	<p>We conduct regular training, testing and disaster recovery activities, along with the employment of data security software, to assist in reducing the risk of a breach of data security. We regularly review policies and procedures on information security and provide training to all employees.</p>	

Key risks

Board focus

The Board Risk Committee is responsible for reviewing the Risk Management framework and risk appetite for the group. In FY19 the Board Risk Committee was involved in:

- Considering and reviewing the top key risks, their controls and mitigants
- Reviewing cyber risk and ongoing resilience
- Overseeing Dexus's preparedness to respond to a crisis



The nature and potential of our risks can change over time.

Key risk	Link to material issues	Potential impacts	How Dexus is responding	Link to key resources
<p>Security and emergency management Ensuring the safety of employees, customers and the public at Dexus sites.</p>	<ul style="list-style-type: none"> - Risk & crisis management - Health safety & security - Supply chain management - Customer engagement 	<ul style="list-style-type: none"> - Death or injury to individuals at Dexus properties - Reputational damage - Loss of broader community confidence - Costs associated with criminal/civil proceedings - Costs associated with remediation and/or restoration 	<p>We maintain a business continuity management framework to mitigate against safety threats, including the adoption of plans relating to crisis management, business continuity and emergency management. Responsiveness at each property is regularly tested through scenario exercises. Key performance indicators for reporting and resolution of security issues are embedded into contractor agreements at Dexus-managed sites.</p>	
<p>Talent and capability Retention of key talent within Dexus.</p>	<ul style="list-style-type: none"> - Talent attraction & retention - Human capital development - Equal remuneration - Equal development 	<ul style="list-style-type: none"> - Disruption/impact to customer relationships and/or revenue - Increased workforce costs - Reduced workforce productivity - Loss of corporate knowledge 	<p>We aim to maintain an engaged and high-performing workforce that is aligned with our corporate objectives and is inspired to stay with the business. We focus on professional development at all levels to enhance employee capabilities and support continued employee engagement. We develop succession plans for key employees and undertake external mapping for key roles to assist in the retention of key talent.</p>	
<p>Corporate culture Maintaining a respectful, open and transparent culture which supports diversity of opinion and values including acting honestly, ethically and with integrity.</p>	<ul style="list-style-type: none"> - Inclusion & diversity - Corporate governance & transparency - Equal remuneration - Human rights 	<ul style="list-style-type: none"> - Excessive regrettable employee turnover and associated increased costs - Inability to attract talent - Reduced investor sentiment (equity and debt) - Inappropriate conduct leading to investigation, potential costs and reputational damage 	<p>Our Board and Group Management Committee focus on fostering a culture that supports employees to deliver on the group's purpose of creating spaces where people thrive. We regularly survey employees and gather data through other reports to understand organisational culture and identify potential challenges that may require additional focus. We strive to invest in our employees' development and reward their achievement of sustainable business outcomes that add value to our stakeholder.</p>	
<p>Climate change Mitigation against the impact of climate change.</p>	<ul style="list-style-type: none"> - Climate change impacts - Energy efficiency - Emissions - Water use - Biodiversity - Waste management 	<ul style="list-style-type: none"> - Increased costs associated with physical risks (e.g. asset damage from extreme weather) - Increased costs associated with transition risks (e.g. carbon regulation, requirements for building efficiency) 	<p>We focus on enhancing the resilience of our properties to physical climate risks, implementing energy efficiency initiatives and deploying renewable energy projects. Dexus's approach to climate change risk management is disclosed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures on page 60 and in the 2019 Sustainability Performance Pack.</p>	
<p>Building and workplace health & safety Identification and remediation of health and safety issues relating to the fabric of properties across the portfolio including façades. Prevention of death or serious injury at a Dexus owned or controlled site due to unsafe work practices.</p>	<ul style="list-style-type: none"> - Health, safety & security - Customer engagement 	<ul style="list-style-type: none"> - Death or injury - Reputational damage - Loss of broader community confidence - Costs or sanctions associated with regulatory response - Costs associated with criminal/civil proceedings - Costs associated with remediation and/or restoration 	<p>We adopt a series of measures to ensure building and workplace health and safety is maintained in and around our properties, including:</p> <ul style="list-style-type: none"> - Adoption of comprehensive work health and safety programs and compliance by site contractors and employees, including independent certification against OHSAS 18001 Occupational Health and Safety Management Systems - Engagement of external consultants for facade audits - Ongoing monitoring and testing of existing sites - Regular training for both employees and service providers. 	