



## Busy year in 2022

<b>Company/ASX Code</b>	<b>Dexus/DXS</b>
<b>AGM date</b>	Wednesday 26 October 2022
<b>Time and location</b>	2pm AEDT Quay Quarter Tower, Level 20, 50 Bridge Street, Sydney NSW
<b>Registry</b>	Link Market Services
<b>Type of meeting</b>	Hybrid
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Fiona Balzer
<b>Pre AGM Meeting?</b>	Yes with Chair, Richard Sheppard, NEDs, Penny Bingham-Hall and Warwick Negus, Head of Listed Investor Relations, Rowena Causley

Monitor Shareholding: The individual (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

### Summary of issues for meeting

Last year Dexus experienced a huge first strike against its remuneration report with an against vote of 65.77%. This was due to retention awards. We don't expect this to be repeated.

### Proposed Voting Summary

No.	Resolution description	
1	Adoption of Remuneration Report	For
2	FY23 grant of LTI rights to CEO	For
3.1	Approval of an Independent Director – Mark Ford	For
3.2	Approval of an Independent Director – Nicola Roxon	For
3.3	Approval of an Independent Director – Elana Rubin AM	For
4	Constitutional Amendments	For
5	Spill motion (contingent resolution)	Against

## Summary of ASA Position

### Consideration of accounts and reports - No vote required

#### Key events

Dexus had an active year including the acquisition of APN by scheme of arrangement, acquisition of AMP Capital's real estate & domestic infrastructure platform, acquisition of Jandakot Airport industrial precinct and achieving binding documents to fund, develop and invest in Atlassian Central, (Sydney).

#### Key Board or senior management changes

Chair and NED since 2012, Richard Sheppard will retire from his position as Director and Chair of the Board of Dexus Funds Management following the Dexus 2022 Annual General Meeting, Warwick Negus will become the Chair of the Board.

Elana Rubin AM was appointed to the board in September 2022.

Alison Harrop stepped down as Chief Financial Officer (CFO) effective 30 September 2021, succeeded by Keir Barnes.

#### ASA focus issues (not discussed under remuneration report or re-election of directors)

While the discussion of the board skills required and present on the board on the [Dexus Corporate Governance Statement](#) (see page 8) is informative, the absence of a matrix which outlines which directors are considered to be contributing these skills is disappointing. Yes, shareholders can read the director biographies and make their own assumptions as to which director contributes what, but we would prefer the company joins the dots for all shareholders and makes it clear where the range of skills are coming from in a useful board skills matrix.

The company has a comprehensive Sustainability Report and achieved net zero operational emissions for FY22 across the group managed portfolio.

#### Summary

(As at FYE)	2022	2021	2020	2019	2018
NPAT (\$m)	1,615.9	1,138.4	927.7	1,281.0	1,728.9
Adjusted Funds From Operations (AFFO) (\$m)	572.2	561.7	550.5	517.2	483.5
Security price (\$)	8.88	10.67	9.20	12.98	9.71
Distribution per security (cents)	53.2	51.8	50.3	50.2	47.8
Simple TSR (%)	(11.8)	22.0	(25.7)	39.4	7.5
AFFO per security (cents)	53.2	51.8	50.3	50.3	47.7
CEO total remuneration, actual (\$m)	4.6	5.6	4.2	6.1	4.9

CEO's total actual remuneration compared to annualised Australian Full time Adult Average Weekly Total Earnings was 48x (based on data from the Australian Bureau of Statistics <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>).

Simple TSR is calculated by dividing (change in security price plus dividend paid during the year, excluding franking) by the share price at the start of the year.

### **Res 1 & 2: Adoption of remuneration report and approval of equity grants to Managing Director/CEO**

Last year we voted against the remuneration report due to the payment of retention bonuses with no hurdles. Dexus has more or less said they would try not to do that again.

The CEO received short-term incentive payment of 94.8% of maximum, and actual remuneration fell during the year. There was no exercise of board discretion to adjust the FY22 Group scorecard outcome in relation to the short-term incentive outcomes for the company.

The remuneration framework is broadly in keeping with ASA guidelines, and we will vote open proxies in favour the remuneration report and the approval of the equity grant.

For more detail see Appendix 1.

### **Res 3.1, 3.2 and 3.3: Election or re-election of directors**

The board comprises eight directors (nine until after the AGM). The directors other than the MD, are independent and after the Chair steps down at the AGM, only the MD and Tonianne Dwyer have served longer than 10 years on the board. It has a diversity of tenure, business background and gender, with no director serving longer the 12 years at this time. All directors have skin in the game in excess of \$132,000 of value, excepting Elana Rubin, who holds 6,000 securities (approximately \$46,000) which we consider a good start in her first months on the board. Workloads are below the maximum threshold for meeting ASA guidelines.

Mr Ford has extensive property industry experience, and while his skin in the game is substantially lower than his annual fee, we accept that as he purchased those shares at higher prices, he has some alignment with shareholders. His most recent purchase was 7,339 securities acquired in July 2021 at an average price in excess of \$10.70, whereas we used the market price of \$7.66 to calculate the ratio. He exceeds the board requirement for a minimum holding of 16,500 securities. We encourage him to expand this holding.

The Hon. Nicola Roxon brings experience in government, health and law to the board as well as ESG. As the notice of meeting states her insights into public policy, strategy and government contribute diversity to the board's (collective) thinking. Her security holding sits below her fee, but she too acquired additional securities during the financial year (3,372) and the shortfall is not as significant.

Ms Rubin has extensive experience across technology, financial services, real assets and government sectors. Her non-executive directorships span listed, unlisted, private and government companies, as well as traditional businesses and business disruptors.

We will vote undirected proxies in favour of the re-election and election of directors.

### **Res 5: Spill motion (in the event of a second strike on remuneration report)**

Generally, we will only support a spill of the board, if we are opposing the remuneration report when a company is on a second strike, and we feel the board is not taking addressing shareholder

concerns. We don't consider this the case here, and in the unlikely event the resolution is put to shareholders (ie on a second strike) we will vote open proxies against the resolution.

#### **Res 4: Adoption of new or amended constitution**

We have reviewed the proposed changes to the constitution which will allow the Responsible entity to change the distribution record date if 75% of the shares are voted in favour of this resolution. At this time there is no intention to change the date, but the passing of this resolution will give the flexibility to change if it is considered to be in the best interests of security holders in the future. Historically, Dexus has announced an estimate of its distributions prior to the end of each financial year and half-year, with an announcement of its actual distribution when known. The record dates for its distributions have traditionally been 31 December for the half year and 30 June for the full year.

If passed and there is a change to the record date at some time in the future, to beyond the end of financial year, there is a potential for a small number of new security holders to need to be aware they will need to include the distribution in their tax return for what they may see as the prior tax year. Any acquisition of securities on a cum-distribution basis after 30 June but before the record date, will need to include the trust income in the year the trust earned it.

We suggest security holders consider this impact and provide a directed vote reflecting their own circumstances. We will vote undirected proxies in favour, considering the flexibility where it is warranted will benefit long term security holders.

#### **ASA Disclaimer**

*This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:*

- *makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- *shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

*This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.*

## Appendix 1

### Remuneration framework detail

The Remuneration Report is clearly laid out and we like the tie to strategy implementation. The Board has stated the strategic measures are aimed at creating value for Security holders over the period ahead and include a focus on navigating the challenges in the office market and maintaining a market leading position in ESG.

ASA supports the operation of the behavioural gateway before bonuses can be paid.

The remuneration framework is broadly in keeping with ASA guidelines other than the ASA would like to see 50% of STI paid in deferred equity rather than 25%, and the LTI be measured at four or more years rather than an average 3.5 years. Actual remuneration is disclosed.

From FY23 onwards, the LTI plan will be judged against strategic measures (financial and non-financial) at 20%, with 40% related to AFFO growth and 40% on average return on contributed equity performance (were 50%).

The targets and maximum opportunity are unchanged, as is the term with 50% of the award is measure over 3 years and 50% over four years.

CEO rem. Framework for FY23	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.6	29	1.6	27
STI - Cash	1.2	21	1.5	25
STI - Equity	0.4	7	0.5	8
LTI	2.4	43	2.4	40
Total	5.6	100	6.0	100

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

\*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.