

# DEXUS Property Group

ASX release

2 August 2012

## DEXUS Property Group (ASX: DXS) announces new executive remuneration framework

The Board of DEXUS Property Group today announced a new executive remuneration framework following the completion of a broad review of the Group's executive remuneration arrangements and principles. The changes to the remuneration arrangements are subject to security holder approval at the Annual General Meeting (AGM) in November 2012. These changes resulted from extensive consultations with and feedback obtained from security holders, proxy advisors and remuneration advisors following last year's AGM.

Chris Beare, Chairman of DEXUS Property Group said: "Our new framework has been developed in conjunction with the strategic review being undertaken by the new CEO and his team. The new framework aligns incentives for Management with the revised strategy and also promotes greater clarity and alignment between executive pay outcomes and the interests of security holders. We are announcing the framework today to make investors aware that we have completed a comprehensive review of our remuneration practices, delivering on the promise we made at the 2011 AGM. The review has involved the consideration of constructive feedback received from investors and advice from independent remuneration consultants."

"We have reviewed fixed remuneration levels payable to key Executives (including our new CEO) and annual "at-risk" incentive remuneration opportunity (including the basis for and form of any such benefit), and will introduce a more transparent and better targeted long term incentive plan including a range of appropriate performance hurdles."

The changes are aimed at ensuring each component of the Group's overall remuneration framework reflects current market practice and the Group's contemporary business environment and profile, specifically the A-REIT sector.

The major outcomes of the review, which are applicable to key DEXUS executives ("key Executives"), are:

- No increase in fixed remuneration for FY13
- The DEXUS Performance Payment (DPP) Plan will be discontinued
- The DEXUS Deferred Performance Payment (DDPP) Plan, including composite index benchmarking and the availability of a performance multiplier, will become a legacy plan and will be closed to new grants
- For awards earned in prior years under the DDPP Plan, the Board has signalled its intention to discontinue the performance multiplier

### Short term incentive (STI) Plan

- A revised STI Plan will be introduced reflecting achievement of results against Balanced Scorecard metrics with:
  - 75% of any award paid in cash; and
  - 25% will be deferred into performance rights to DXS securities, subject to clawback and service conditions and vesting in two equal tranches after 12 and 24 months.

## Long term incentive (LTI) Plan

- A new LTI Plan will be introduced, in which key Executives will be granted performance rights to DXS securities subject to three performance hurdles as determined by the Board which will be relative Total Security Holder Return, Funds from Operations and Return on Equity related measures
- The new LTI Plan will vest in two equal tranches, 3 and 4 years after the grant, and will be subject to service and clawback conditions, with no retesting available

To reflect the introduction of the STI deferral and the new LTI Plan, the remuneration mix for executives will be changed to:

- Stretch target STI as a percentage of fixed remuneration will be:
  - CEO and CFO - 100%
  - Other key Executives - 70%
  - For significant outperformance, an additional 25% could be awarded
- LTI grants as a percentage of fixed remuneration will be:
  - CEO - 85%
  - CFO - 50%
  - Other key Executives - 30%

The Board considers these weightings to be appropriate, given the nature of DEXUS's business and these have been set to ensure that the Group continues to attract, motivate and retain senior executives who create security holder value.

The Board is committed to providing greater clarity regarding how executive pay outcomes are determined, including more detailed disclosure of Balanced Scorecard criteria and DEXUS's positioning against comparator benchmarks.

Mr Beare said: "We are confident that the new framework better supports and drives the achievement of the strategic objectives of our business and represents an appropriate balance between pay outcomes and the creation of security holder value."

Subject to security holder approval at the AGM in November 2012, the new remuneration framework will be implemented effective 1 July 2012.

## Transition arrangements

The CEO and direct reports have agreed to transition arrangements by taking their deferred incentive awards earned in FY12 in the form of performance rights to DXS securities (subject to security holder approval), deferred for a period of 3 years and subject to service and clawback provisions. In the event that security holder approval is not obtained, the deferred incentive awards would be granted under the terms of the DDPP Plan.

The transition arrangements amend the CEO's terms of employment through a re-allocation of remuneration components, providing equity holdings in lieu of cash for deferred incentives and removing performance multiplier opportunity.

The changes to the executive remuneration framework and the transition arrangements for FY12 do not represent an overall increase in total remuneration potential for the CEO and other key Executives.

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## Directors' security holdings

Consistent with changes to the executive remuneration framework, the Board has also determined that it would be appropriate for Directors to hold DEXUS securities in the future, and has set a minimum target of 50,000 securities to be acquired by each Director on market within three years.

DEXUS's new remuneration framework and outcomes will be detailed in the FY12 Remuneration Report to be released to the market as part of the Group's full year results announcement on 16 August 2012.

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### About DEXUS

DEXUS is one of Australia's leading property groups specialising in world-class office, industrial and retail properties with total assets under management of \$13bn. In Australia, DEXUS is a market leader in office and industrial and, on behalf of third party clients, a leading manager and developer of shopping centres. DEXUS is committed to being a market leader in Corporate Responsibility and Sustainability. [www.dexus.com](http://www.dexus.com)

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