



DEXUS
PROPERTY GROUP

8 November 2013

Ms Mavis Tan
Corporate Governance Council
Australian Securities Exchange

By email: mavis.tan@asx.com.au

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Dear Ms Tan

Thank you for the opportunity to provide a submission to the draft third addition of *Corporate Governance Principles and Recommendations*. Our submission relates to recommended enhancements to the definition of an independent director.

Following is the suggested amendment to the ASX Principles of Good Corporate Governance:

Box 2.1 - the defining characteristics of an independent director

A director of a listed entity should be characterised and described as an independent director only if he or she is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity and its security holders generally.

Examples of interests, positions, associations and relationships that might cause doubts about the independence of a director include if the director:

- has been a director of the entity for more than 9 years

It is acknowledged that the Public Consultation paper further clarifies that if the Board forms the opinion that the director should be regarded as independent, it should explain to security holders why it is of that opinion.

DEXUS's Response:

We believe that good governance is about diversity on the Board, including tenure. We also believe that each Board circumstance is unique. We have identified numerous circumstances where a target term could result in adverse, rather than positive outcomes for a Board, including:

- Boards could be comprised primarily of new Directors, increasing the value of longer serving Directors
- Boards could choose to retain under-performing Directors, particularly in later years, rather than taking the more responsible action of manage them out

At DEXUS, we believe that Director effectiveness requires energy, enthusiasm, ability and application, all of which should be reviewed continuously.

Tenure is only one input into the effectiveness of a Board and we are concerned that investors may grow to expect Director transition at 9 years, disregarding the unique circumstances of each Board.

For these reasons DEXUS strongly resists a director independence evaluation based on term. Rather, we believe it should be a balance and that best practice governance would therefore not prescribe individual parameters, including term.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tanya Cox', is positioned above the printed name.

Tanya Cox

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