

National Carbon Offset Standard Carbon Neutral Program Public Disclosure Summary



An Australian Government Initiative

DEXUS Property Group

1 July 2015 – 30 June 2016

Declaration

To the best of my knowledge, the information provided in this Public Disclosure Summary is true and correct and meets the requirements of the National Carbon Offset Standard Carbon Neutral Program.

Signed:

Date:

18-10-16

Paul Wall

Head of Group Sustainability and Energy

Type of carbon neutral certification:

Organisation – DEXUS Corporate Operations comprising corporate travel for all DEXUS employees and DEXUS corporate tenancies in Sydney (located at Levels 24-26, 264 George Street, Sydney 2000), Melbourne (located at Level 16, 385 Bourke Street, Melbourne 3000), and Brisbane (located at Level 21, 12 Creek Street, Brisbane 4000 for 231 days of the period and located at Level 26, 1 Eagle Street, Brisbane 4000 for 136 days of the period)

Verification

Date of most recent external verification/audit: 2015

Auditor: Pricewaterhouse Coopers

Auditor assurance statement link: <http://www.dexus.com/-/media/files/articles/crs-reports/2015/dexus-fy15-ncos-pwc-independent-audit-report.ashx>



Australian Government
Department of the Environment

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1. About DEXUS Property Group

DEXUS Property Group is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With \$22.2 billion of assets under management, DEXUS also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners.

DEXUS manages a portfolio of 4.3 million square metres located predominantly across Sydney, Melbourne, Brisbane and Perth and is the largest owner of office buildings in the Sydney CBD, Australia's largest office market.

With nearly 30 years of expertise in property investment, development and asset management, the Group has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for our investors.

DEXUS aims to maximise resource efficiency and minimise the overall environmental impact of operations. This approach is applied in the development of new properties and in the management and refurbishment of existing properties.

DEXUS has a proud record of developing and implementing leading practices in CR&S. As a responsible property investor, manager and developer, DEXUS integrates our Sustainability Approach across the property lifecycle to create sustained value for our people, customers, communities, cities and the environment, by embracing connectivity, liveability and resilience.

Experience has demonstrated that a holistic approach – from the boardroom to the plant room – reduces operating costs, enhances property values and improves tenant appeal, resulting in enhanced long term returns for investors together with lower environmental risks.

DEXUS adopts a balanced approach to addressing environmental, social and governance (ESG) issues. As part of our Sustainability Approach, DEXUS systematically identifies, quantifies and responds to ESG issues within strategic decision making and operations. For example, the DEXUS conducts ESG due diligence for property transactions, applies technology and operational expertise to reduce resource use and greenhouse gas emissions, partners with like-minded suppliers, and promotes diversity, equality and basic human rights.

As a signatory to the United Nations Principles of Responsible Investment (UNPRI), DEXUS has a commitment to invest responsibly and raise awareness of responsible investment with our stakeholders. In recognition of the UNPRI, DEXUS delivers CR&S benefits, keeping four guiding values at the forefront of our business:

- Investing responsibly, managing properties and consolidating property services
- Achieving positive environmental outcomes through business operations
- Identifying material issues through stakeholder engagement
- Delivering responsible outcomes for the community

The Group's commitment to sustainable performance has been recognised through the inclusion in a number of global benchmarks, including:

- Dow Jones Sustainability Index (World, Asia Pacific and Australia Indices)
- FTSE4Good Index
- Carbon Disclosure Project
- Global Real Estate Sustainability Benchmark

DEXUS is a founding member of the City of Sydney's Better Buildings Partnership and a member of the Investor Group on Climate Change.

2. Carbon neutral information

Carbon neutral certification

DEXUS is a signatory to Australia's Carbon Neutral Program, which is administered by the federal Department of the Environment. Each year the Group develops an emissions inventory in line with the program's National Carbon Offset Standard (NCOS) across our Corporate Operations.

The Group has offset direct emissions from refrigeration and electricity usage and indirect emissions generated by waste to landfill, paper use, airline travel and car mileage for national employees, taxi travel, hire cars and employee commuting.

DEXUS's NCOS carbon footprint

DEXUS has prepared a greenhouse gas emissions inventory for the 2016 reporting period from 1 July 2015 to 30 June 2016.

Boundary and consolidation approach

DEXUS's NCOS boundary includes DEXUS corporate operations, which comprises facilities listed below that fall under DEXUS's operational control for all or part of the 2016 reporting period. The boundary also includes Scope 3 emissions relating to corporate travel for all DEXUS employees.

DEXUS has applied the principles contained within the National Greenhouse and Energy Reporting Act 2007 and its associated guidelines to determine the operational control of its properties across Australia and New Zealand.

Where DEXUS has operational control of a tenancy, we report 100% of energy, water, waste and emissions applicable to that tenancy as well as an area-based proportion of base building operations.

DEXUS 2016 NCOS boundary includes:

- DEXUS office tenancies and proportion of base building services attributable to those tenancies, for the following locations:

- Sydney Office: Levels 24-26, 264 George Street, Sydney 2000
- Melbourne Office: Level 16, 385 Bourke Street, Melbourne 3000
- Former Brisbane Office: Level 21, 12 Creek Street, Brisbane 4000 for 231 days of the period
- New Brisbane Office: Level 26, 1 Eagle Street, Brisbane 4000 for 136 days of the period
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- Corporate travel and employee commuting for all staff employed directly by DEXUS nationally

The boundary excludes DEXUS's owned and managed investment property portfolio comprising office, retail and industrial properties.

Inventory standards and methods

DEXUS's methods and procedures for collecting, collating and calculating our greenhouse gas emissions and resource consumption are prepared in accordance with the following reporting standards:

- National Carbon Offset Standard (NCOS): Department of the Environment, Australia www.environment.gov.au
- The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition): World Resources Institute and World Business Council for Sustainable Development (www.ghgprotocol.org)
- National Greenhouse and Energy Reporting (NGER) Act 2007: Clean Energy Regulator, Australia www.cleanenergyregulator.gov.au

Emission factors and calculation methodology

Activity data has been collected from key data sources including utility invoices, reports provided by key suppliers (such as travel providers) and internally generated consumption reports (such as financial reports of expenses claimed).

Where possible, the emission factors and calculation methodologies have been taken from National Greenhouse Accounts (NGA) Factors, dated July 2015, which is aligned with Method 1 within NGER.

Where additional detail is required, DEXUS has used a number of other credible sources including 2016 Guidelines to Defra / DECC's 2016 Government GHG Conversion Factors for Company Reporting, June 2016; EPA Victoria Paper note, May 2011; and ABS Survey of Motor Vehicle use, 12 months ended 31 October 2012.

Greenhouse gases included within inventory

DEXUS has determined our emissions resulting from the common greenhouse gases reported under the Kyoto Protocol, being carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).

Emissions are aggregated into carbon dioxide equivalents (CO₂-e) using factors called global warming potentials (GWPs).

Table 1 lists the quantified emission sources that DEXUS has included within our 2016 NCOS greenhouse gas inventory.

Table 1. 2016 Quantified emissions sources		
Scope	Quantified emission source	Data collection source
1 & 2	Tenancy electricity and gas consumption and associated transmission and distribution losses	Metered and invoiced by utility providers
3	Share of base building electricity and gas consumption and associated transmission and distribution losses	Metered and invoiced by utility providers
1	Tenancy refrigerant leakage	Estimated using default leakage rates of total equipment charge provided from facility managers and maintenance service providers
3	Share of base building refrigerant leakage	Estimated using default leakage rates of total equipment charge provided from facility/centre managers and maintenance service providers
3	Waste to landfill	Data provided by waste contractors
3	Office paper consumed	Data provided from facility managers
2	Onsite energy generation and purchase of renewable electricity	Data sourced from sub metering systems and GreenPower tracking spreadsheets
3	Corporate air travel	Data provided by DEXUS's outsourced travel booking provider
3	Corporate land based transport	Determined from invoices and transactions processed and paid via the DEXUS accounts payable system
3	Employee commuting	Collected directly from DEXUS employees via survey
3	Hotel accommodation	Determined from invoices and transactions processed and paid via the DEXUS accounts payable system
3	Telecommunications	Determined from data relating to annual spend obtained from IT employees
3	Water: Share of base building potable water consumption	Metered and invoiced by utility providers
3	Wastewater: Share of base building wastewater for offsite treatment	Estimated as a proportion of water use (i.e. discharge factor) that metered and invoiced by utility providers
3	Office supplies and stationary	Determined from data relating to annual spend obtained from facilities management employees
3	Postage, courier and freight	Determined from data relating to annual spend obtained from facilities management employees

Table 1. 2016 Quantified emissions sources

Scope	Quantified emission source	Data collection source
3	Food and catering	Determined from data relating to annual spend obtained from facilities management employees
3	IT equipment purchases	Determined from data relating to annual spend obtained from IT employees
3	IT data warehousing	Determined from data relating to annual spend obtained from IT employees

Non-quantified sources

Table 2 lists Scope 3 emission sources have not been quantified in line with the provisions in the NCOS. The impact of excluding these sources is not expected to materially affect the overall total emissions:

Table 2. 2016 Non-quantified emissions sources

Scope	Non-quantified emission source	Reason for exclusion
3	Office printing	All internal printing is captured via emissions for paper use, office suppliers, IT and electricity use. External printing is not included as information is difficult to gather. DEXUS will review options to gather data for future reporting.
3	Cleaning services	Cleaning services is not included because the information is difficult to gather relative to estimated size of emissions.
3	Events and meals out	Events and meals out has been excluded as these activities relate to social functions rather than operations activities.

Diagram of certification boundary

DEXUS’s certification boundary covering our Corporate Operations is described in the diagram below.

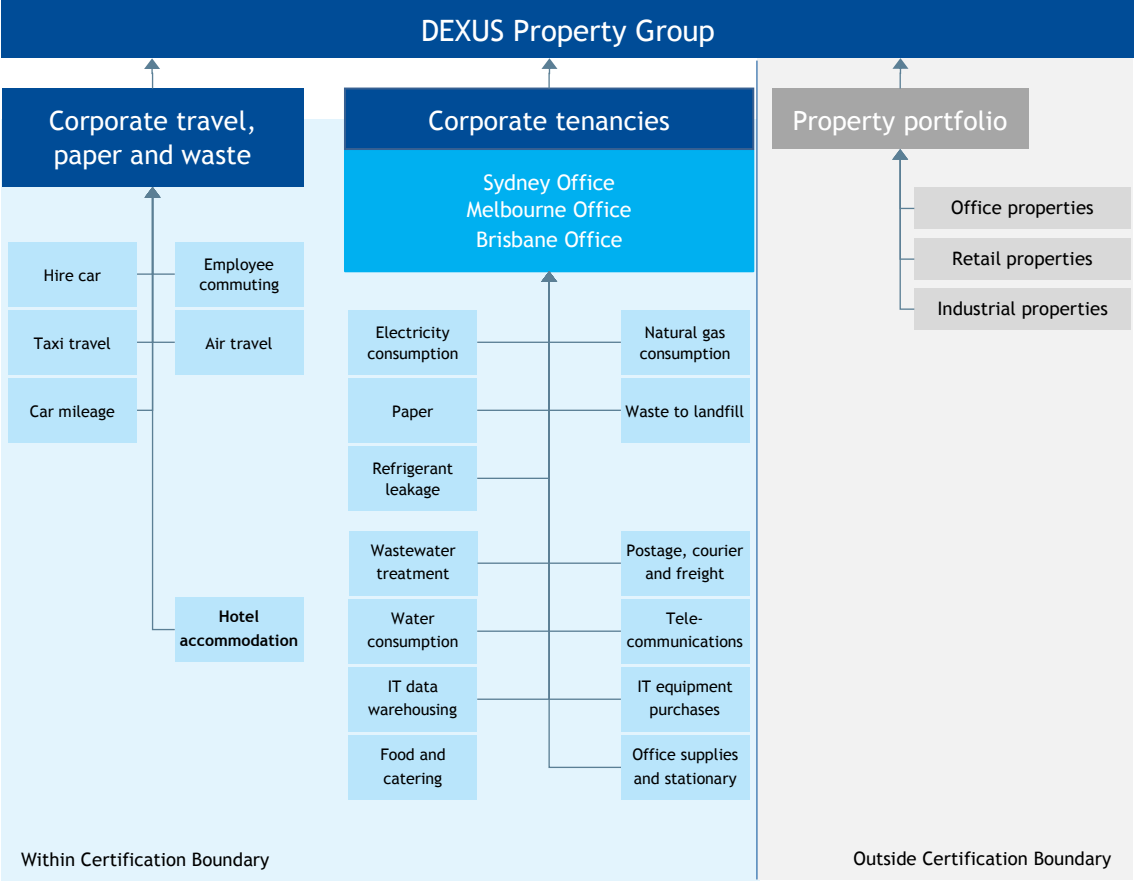


Figure 1: Diagram of the boundary of the subject of certification

3. Emissions reduction measures

Part A. Emissions over time

DEXUS is a signatory to the Australian Carbon Neutral program and our corporate head office has been certified as carbon neutral since 2011.

Over the six-year period, DEXUS has expanded the emissions inventory with regards to boundary and the emission sources covered. The key business events and reporting changes that impact DEXUS's NCOS inventory are:

- In 2013 DEXUS expanded the boundary to include our Melbourne Office for the first time and, due to relocation of the Sydney Office, DEXUS reported part-year emissions across two New South Wales tenancies.
- In 2014 DEXUS has expanded the inventory to include Scope 3 emissions associated with employee commuting for all national employees. DEXUS surveyed staff to identify the distances and modes of transport taken to commute to and from their workplace. The results were extrapolated across DEXUS's full time-equivalent employees and emissions for each mode of transport were calculated.
- In 2015 DEXUS expanded the boundary to include our newly opened Brisbane Office and, due to relocation of the Melbourne Office, DEXUS reported part-year emissions across two Victorian tenancies.

Aside from the organic growth associated with the opening of DEXUS's Brisbane Office, the expansion of the boundary and emission sources has triggered a requirement to recalculate the base year inventory to reflect these changes. A recalculated base year inventory allows for meaningful comparison of emissions from base year, on a like-for-like basis.

A new baseline for FY15

DEXUS has renewed our commitment to the carbon neutral program. Using guidance from the Department of Environment, DEXUS has reviewed our reported Scope 3 sources and has expanded the source boundary from 2015 to include:

- Hotel accommodation
- Telecommunications
- Water: Share of base building potable water consumption
- Wastewater: Share of base building wastewater for offsite treatment
- Office supplies and stationary
- Postage, courier and freight
- Food and catering
- IT equipment purchases
- IT data warehousing

DEXUS's 2015 inventory establishes an updated baseline for ongoing participation in the carbon neutral program.

Table 3 below summarises DEXUS's like-for-like emissions against our updated 2015 baseline.

Table 3. Like-for-like emissions since base year (including baseline recalculations and excluding new sources)			
	Base Year- FY15	FY16	Change % FY16 vs Base Year
Scope 1	1	1	-3.4%
Scope 2	284	248	-12.8%
Scope 3 comprising the following:	2,330	2,312	-0.8%
<i>tenancies and base building energy/refrigerants</i>	431	390	-9.5%
<i>office paper use and waste</i>	25	24	-5.3%
<i>corporate travel</i>	1,040	927	-10.9%
<i>employee commuting</i>	420	501	19.3%
Avoided emissions from renewable energy purchased by DEXUS	-16	0	-100.0%
Total like-for-like emissions (t CO₂-e)	2,599	2,561	-1.5%

Part B. Emissions reduction strategy

DEXUS Property Group is committed to continuous improvement under the ISO 14001 Environmental Management System, which includes reducing resource consumption and the impact of climate change across the entire portfolio including DEXUS's corporate operations.

This is the Group's sixth reporting year under the NCOS Carbon Neutral Program, with a solid track record and carbon emissions reduction results as part of the ongoing resource monitoring, management and reporting framework.

DEXUS's emissions reduction strategy takes the form of a 'Tenancy Sustainability Plan'. The plan outlines key strategies, objectives and targets for a more sustainable office and is focused on six key areas, which include; liveability, information technology, office consumables and recycled content procurement, office energy consumption, recycling and waste and internal processes.

Part C. Emissions reduction actions

Over the last year, DEXUS has achieved a total emissions reduction of 1.5% against our like-for-like baseline.

During that time DEXUS has also experience organic growth in the Group's full-time equivalent staff, which has increased from 334.0 FTEs to 399.2 FTEs, or 19.5%.

As a result, DEXUS has achieved a 17.6% reduction in emissions intensity per employee, which equates to 38.4 tonnes CO₂-e of avoided emissions in 2016 against the 2015 baseline.

Table 4. Like-for-like emissions intensity since base year			
	Base Year- FY15	FY16	Change % FY16 vs Base Year
Scope 1 & 2	270	249	-7.7%
Scope 3	2,330	2,312	-0.8%
Total like-for-like emissions	2,599	2,561	-1.5%
Employees (FTEs) as at 30 June each year	334.0	399.0	19.5%
Emissions Intensity (tCO₂-e/FTE)	7.8	6.4	-17.6%

FY16 Projects

In FY16 DEXUS completed the following emissions reductions projects:

- Head office:
 - End-of-lease replacement of photocopiers with more efficient ones
 - Review and re-tuning of CBUS lighting controls in Sydney tenancy
- Brisbane Office:
 - Move from Blue Tower to Waterfront Place (into a 5 star NABERS building), with fit out to match previous Sydney and Melbourne fit out features

In FY16 electricity consumption at DEXUS's Sydney Office reduced by 36,205 kWh. This is due to energy savings projects to optimise lighting controls which reduced out of hours and weekend energy consumption and an upgrade to the photocopiers and printers to more efficient models. On an intensity basis, energy use per square metre of lettable area has decreased by 13% against FY15, and energy use per employee has decreased by 12% when compared with the previous year. DEXUS's electricity consumption remains 118MWh or 32% below FY12 levels (year prior to DEXUS's relocation to new premises). Scope 1, 2, & 3 greenhouse gas emissions from tenancy electricity use reduced by 43 tonnes.

The relocation of the Brisbane Office from 12 Creek Street to 1 Eagle Street has enabled DEXUS to enlarge our office space, while at the same time reducing the emissions intensity per square metre by 16%.

3. Emissions summary

The table below lists DEXUS Property Group's FY16 gross and net greenhouse gas emissions for our corporate activities as per the stated boundary.

Where GreenPower is used, the total emissions from electricity are provided in the table for the total gross emissions and then the emissions from GreenPower are subtracted to calculate the net footprint. The total net emissions represent the amount of offsets required to achieve carbon neutrality.

GreenPower and carbon neutral products are separated to allow for tracking across years where GreenPower is not purchased and provide transparency regarding the total number of offsets required.

Table 5. Emissions Summary		
Scope	Emission source	t CO ₂ -e
1	Refrigerant leakage - tenancy	0.7
3	Refrigerant leakage - % of base building	6.3
2	Purchased electricity – tenancy (gross)	248.2
3	Purchased electricity - transmission and distribution losses (tenancy)	35.2
3	Purchased electricity – % of base building (gross)	291.7
3	Purchased electricity – % of base building transmission and distribution losses	41.4
3	Purchased natural gas – % of base building (gross)	12.3
3	Purchased natural gas – % of base building transmission and distribution losses	2.7
3	Transport Fuel – Air Travel	851.4
3	Transport Fuel – Taxi	40.0
3	Transport Fuel – Car Mileage	7.1
3	Transport Fuel – Hire Car	28.2
3	Transport fuel – Employee Commuting	500.5
3	Office paper	7.8
3	Waste to landfill	16.3
3	Telecommunications	32.6
3	Water	0.7
3	Wastewater	1.2
3	IT Equipment	69.0
3	Stationery	28.1
3	Data Centre	53.0
3	Postage	3.7
3	Couriers	9.8
3	Hotel Accommodation	84.9
3	Food and catering	188.0
Total Gross Emissions		2,560.8
GreenPower or retired LGCs		0.0
Total Net Emissions		2,560.8

4. Carbon offsets

Part A. Offsets summary

In order to fully offset our FY16 emissions footprint of 2,561 t.CO₂-e, DEXUS Property Group has purchased and retired certified carbon offsets totalling 2,700 t.CO₂-e, which includes a contingency of 139 t.CO₂-e to be retired as excess for this year.

Table 6 below provides details of purchased offsets and their retirement details.

Table 6. Offsets Summary			
Offset type and registry	Year retired	Serial numbers	Quantity
GS (Markit Environmental Registry)	2016	GS1-1-MW-GS613-21-2013-4667-1369 to 1768	400
VCU (APX VCS Registry)	2016	4147-176338408-176338907-VCU-016-MER-AU-14-641-16042012-15042013-0	500
VCU (APX VCS Registry)	2016	4078-173911884-173912783-VCU-041-APX-CN-1-1126-30112007-24122007-0	900
VCU (APX VCS Registry)	2016	942-44065493-44066292-VCU-009-APX-IN-1-380-01012008-31122008-0	800
ACCU (Australian National Registry of Emissions Units (ANREU))	2016	Serial range: 3,745,331,912 to 3,745,332,011	100
Total offsets retired			2,700
Net emissions			2,561
Total offsets held in surplus for future years:			0

Part B. Offsets purchasing and retirement strategy

DEXUS views our investment in carbon abatement projects as part of our overall sustainability approach and an extension of our own emissions reduction activities. DEXUS invests in projects that fall into one or more of the following criteria:

- Carbon abatement projects involving generation of renewable energy or energy from waste, which enables DEXUS to support the transition to cleaner energy sources
- Carbon abatement projects situated in Australia, which enables DEXUS to support carbon abatement in the geographical region in which DEXUS operates

- Carbon abatement projects that also give back to local communities in the form of income or through other social co-benefits such as improved health or livelihood

DEXUS's offsetting approach involves purchasing and retiring offsets in arrears at the end of each reporting year as follows:

1. DEXUS determines the amount of offsets to retire to encompass our annual emissions inventory for the current reporting year
2. DEXUS applies a contingency to round up our abatement
3. DEXUS partners with a broker to select carbon abatement projects that fit with DEXUS's offsetting goals
4. Certificates are purchased and retired immediately

Part C. Offset projects (Co-benefits)

Table 7 below describes the projects that DEXUS Property Group has chosen to support in FY16.

Table 7. Carbon abatement projects	
<p>Project: Tasmania Forestry Project, Australia</p> <p>Description: This project promotes improved forestry management by bringing groups of local landholders together to protect areas of forest that would have usually been logged.</p> <p>Co-Benefits:</p> <ul style="list-style-type: none"> ▪ Project directly supports the rural community in Tasmania ▪ Win/win scenario promoting forest protection over logging whilst providing a lucrative income for landholders ▪ Risk management strategies in place reduce the risk of forests fires in the protected areas <p>FY16 offsets retired: 500</p>	
<p>Project: Jilin Liaoyuan Biomass Power Generation, China</p> <p>Description: The project adopts biomass direct combustion technology to utilise local surplus biomass residues (mainly, but not exclusively, rice straw, and wheat straw, and cotton stalk) for power generation.</p> <p>The biomass fuels are collected at the straw-collecting stations at first, and then packed and transported to the project power plant.</p> <p>The biomass fuels may be stored and then are shredded before being fed into the power generating system and burnt.</p> <p>Co-Benefits:</p> <ul style="list-style-type: none"> ▪ Creates employment opportunities for both the construction and ongoing operation of the biomass project ▪ Increases support for local farmers giving them financially rewarding options as opposed to discarding their biomass <p>FY16 offsets retired: 900</p>	

Table 7. Carbon abatement projects**Project: Tamil Nadu Wind Project, India**

Description: This project promotes the sustainable development of the wind industry by bringing investors together, with small to medium power requirements, to invest in wind technologies.

Emission-free wind power is generated using wind turbines and distributed for use in across the Tamil Nadu's state transmission system, displacing fossil fuel based electricity generation plants.

Co-Benefits:

- Helping to bridge the demand supply gap by using wind as a source of generating electrical energy
- Improved standard of living and local employment opportunities for local communities
- Facilitate availability of infrastructure like electricity, roads, medical facilities etc.

FY16 offsets retired: 800

**Project: Savannah burning, Northern Australia**

Description: The project reduces emissions from savannah fires by shifting burning from the late dry season (approximately October - November) towards the early dry season (approximately March - April), and Reducing the area that is burnt each year.

Practices employed by traditional owners, such as controlled savannah burning help control the incidence of large fires occurring during the dry season and decrease the amount of methane and nitrous oxide emissions into the atmosphere.

Careful early dry season burning can reduce fuel loads and create burnt firebreaks in the landscape. Fire breaks alongside roads or watercourses help to reduce the risk of hot fires spreading in the late dry season.

Co-Benefits:

- Reduces air pollutants associated with the combustion of wood and native fuels, such as sulphur and nitrogen oxides, and particulate matter
- Indigenous co-benefits also involve helping to protect sacred sites through appropriate fire management practices, employing local traditional owners as rangers, encouraging the re-introduction of rare or endangered wildlife or simply enabling people to be on country so the younger generation can learn from their elders

FY16 offsets retired: 100

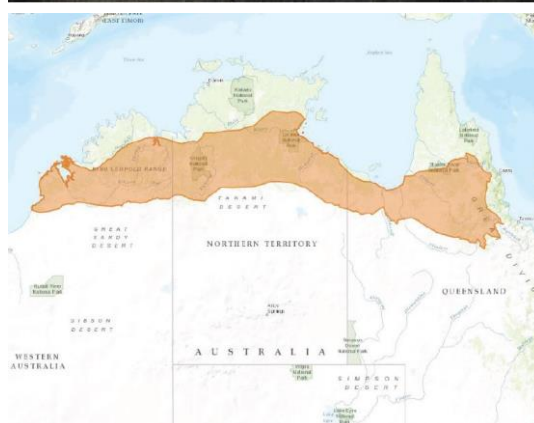


Table 7. Carbon abatement projects**Project: Fuel-efficient cook stoves and 'rocket barns', Malawi**

Description: The project was initiated to address Malawi's overdependence on wood fuel for domestic cooking and tobacco processing (Malawi's main export), in order to protect its forest resources. The ultimate goal of the project is to facilitate a nationwide shift from inefficient exploitation of fuel wood to sustainable and efficient biomass use.

Fuel efficient household and institutional cook-stoves and fuel-efficient rocket barns are distributed to replace existing inefficient curing barns. The new stoves reduce fuel consumption by up to 50% through better combustion and improve heat transfer.

The 'rocket barn' incorporates a double chimney that uses 'waste heat' to increase convective flow through the tobacco and barn structure for improved heat transfer systems, which ensure equal heat distribution with improved air-flow minimising the risk of barn fires. The rocket barn has a twofold increase in heat exchanger surface area compared to the conventional barn and has an improved, extended, and durable "venturi" furnace. The improved rocket barns reduced fuel-use by 63% on average in sampled farms,

Co-Benefits:

- Avoidance of overexploitation of the forests
- Reduction of airborne particles emission and associated respiratory diseases
- Time saving in fire wood collection
- Reduction of purchased fuel costs
- Transfer of technology to indigenous people and creation of employment opportunities.

FY16 offsets retired: 400

