ASX ANNOUNCEMENT

19 August 2019

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Lendlease Group 2019 Annual Report

Lendlease Group today announced its results for the year ended 30 June 2019. Attached is the 2019 Annual Report, including:

- Directors' Report
- Remuneration Report
- FY19 Financial Statements

ENDS

FOR FURTHER INFORMATION, PLEASE CONTACT:

Investors:
Justin McCarthy
Mob: +61 422 800 321

Media:
Stephen Ellaway
Mob: +61 417 851 287

As the world reinvents itself

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About this report

The Lendlease Annual Report 2019 has been prepared with reference to the **International Integrated Reporting** (IR) **Framework** that encourages businesses to consider what creates value for them and how this value contributes to long-term sustainable returns for securityholders.

Materiality

A matter is considered material if Lendlease's senior management and those charged with governance believe it could significantly impact the value created and delivered in the short, medium and long term. Lendlease identifies and captures material matters through the following processes:

- Project Control Group (PCG) sessions, which include key internal stakeholders and represent the governance structure for overseeing the completion of the annual report
- Capturing feedback through engagement and research during the financial year from key external stakeholders including investors, analysts, and other relevant groups
- Engagement with the Board
- Confirming that the strategy and the global trends influencing our strategy are consistent and relevant with the information collected above.

The outcomes of these processes are the material issues noted on page 40, and our strategy and the global trends influencing it on pages 16 to 19.

Directors' Report and Operating and Financial Review (OFR)

The required elements of the Directors' Report, including the OFR, are featured on pages 4 to 127 of this report and include the sections: **Our Business, The Role We Play, The Value We Create, Managing and Measuring Value, Risk, Performance and Outlook,** and **Governance**. The **OFR** is covered specifically on pages 4 to 75. All non-financial metrics included in the Directors' Report on pages 4 to 61 have been verified through our internal verification process. The **Remuneration Report** on pages 92 to 123 and the **Financial Statements** on pages 128 to 190 have been audited by KPMG.

Reporting suite

Lendlease's Reporting Suite provides information about the organisation and its key financial and operational achievements including:

- **The Annual Report**. Features information on Lendlease, our strategy, integrated financial and operational performance, corporate governance, Directors' Report, Remuneration Report and Financial Statements
- **Bi-annual Results Presentation.** The current reporting period's financial results and detailed segment information for projects, investments and pipeline
- **www.lendlease.com** Includes additional information on sustainability reporting, corporate governance, tax compliance and historical financial information.

All financial amounts in this report are in Australian dollars unless otherwise specified.

Lendlease Corporation Limited
ABN 32 000 226 228
Incorporated in NSW Australia
Lendlease Responsible Entity Limited
ABN 72 122 883 185 | AFS Licence 308983
as responsible entity for Lendlease Trust
ABN 39 944 184 773 | ARSN 128 052 595

Award-winning International House, Barangaroo South, Sydney

In shaping cities and creating noteworthy places, we look to innovate around product and design.

Contents

Lendlease presents its fourth integrated annual report to communicate how our business operates, our competitive advantage, and our performance and outlook.

The world in which we operate is rapidly changing. A number of global trends, including urbanisation and technology, are reshaping the way people across the planet live. Increasingly, governments and our other customers are looking to Lendlease for solutions. Fittingly, the theme of this year's annual report is 'as the world reinvents itself'.

At Lendlease, we have five focus areas that contribute to creating long-term value for our securityholders and the broader community. Icons are used throughout the report linking our activities to this value creation.

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Front Cover

The Exchange, Darling Square, Sydney

Almost 20km of sustainably sourced timber wraps The Exchange, or as locals call it, the 'bamboo basket'.

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1

Our Business

Lendlease is an international property and infrastructure group with core expertise in shaping cities and creating strong and connected communities.

Being bold and innovative characterises our approach and doing what matters defines our intent.

We create award-winning urban precincts, new communities for older people and young families just starting out, retail precincts, and work places to the highest sustainability standards. We are also privileged to create essential civic and social infrastructure including state-of-the-art hospitals, universities and stadiums around the world.

Lendlease has been entrusted with many projects of public, cultural and social significance: constructing the Sydney Opera House, creating the National September 11 Memorial & Museum in New York, and restoring and renovating historic buildings such as London's Tate Britain and National Theatre.

As we expand our experience and our footprint, we aspire to continue creating places people want and care about, and providing value for securityholders and the broader community.

Headquartered in Sydney, our people are located in four operating regions: Australia, Europe, the Americas and Asia.

Southbank, Chicago (artist's impression)

Lendlease is undertaking a major revitalisation on the banks of the Chicago River, on a site that has been mostly dormant for half a century.

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Our vision

To create the best places

Our values guide our actions so we can do **our best work** and create **long-term value** for securityholders and the community.

Our values.

Respect
Be dedicated to relationships.

Integrity
Be true to our word.

Innovation
Be challenging in our approach.

Collaboration
Be one team.

Excellence
Be exceptional in everything we do.

Trust
Be open and transparent.

Our best work.
Places where people want to be.

Our expertise and track record span the imagining of a place, making it possible, its funding (whether it's our funds or investors'), through to its development and construction. We also manage places.

This is our integrated business model and we apply it in a disciplined way to shape cities and create and connect communities.

Through our growing urban regeneration expertise – the cornerstone of our strategy – we are a partner of choice; known, respected and trusted in the markets in which we operate.

Innovation is part of our heritage and embedded in our approach to business.

Long-term value. Every day millions of people live, work and play in the places we imagine, build and manage.

However, the value of what we do is far more than a financial transaction and the legacy we leave is far more than a physical presence. We measure our success by the positive outcomes we effect in five focus areas of value creation[1]:

Health and Safety
Everyone has the right to go home safely. We remain committed to the health and safety of our people, our subcontractors, and all of those who interact with a Lendlease place.

Financial
A strong balance sheet and access to third party capital enables Lendlease to fund the execution of its pipeline and deliver quality earnings for our securityholders.

Our Customers
Our Customers love the places we create when we partner effectively, collaborate and innovate. Only through these actions can we respond to a changing world.

Our People
Our People and culture are the greatest contributors to our success and our ability to create the best places.

Sustainability
Sustainability is core to our planning and clear in our outcomes.

We have a proud history of giving emphasis to environmental, social and economic impacts.

1. Please refer to Section 4, pages 38 to 55, for more detailed information on our five focus areas of value creation.

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FY19 highlights[1]

Health and Safety

90%
Operations without a Critical Incident

90% plus
of our people agreed that safety is a key priority in their teams and that Lendlease creates a culture of working safely

2018 Winner Multinational Employer category at the Global Centre for Healthy Workplaces Awards

Financial

$467 Million
Profit after Tax

$804 Million
Core Profit after Tax

12.8%
Core Return on Equity

Our Customers

22,500 plus
People surveyed around the world in our annual customer research

Launched a range of digital solutions to enrich the lives of our customers including the trial of autonomous vehicles in a retirement village

Our People

Gender

Leadership positions held by women FY19 **26.1%**

94%
key talent retention rate
Our target retention rate for key talent is 90 per cent or higher across all talent programs

Sustainability

100%
Total development pipeline achieved or targeting green certification

2018 GRESB The Australian Prime Property Fund (APPF) Commercial achieved the number one ranking of 874 participants internationally in the GRESB annual real estate assessment (the fourth time the fund has attained the top global ranking)

1. Further information about these highlights, and more detailed analysis, can be found on the relevant pages throughout this report.

Places we created

Delivered

1,623
Residential apartments for sale including in Sydney, Melbourne and London

Our first
residential for rent apartment building, The Cooper at Southbank, Chicago with 452 units

Office precinct of
83,000 sqm
at Paya Lebar Quarter

Major urbanisation
project at Darling Square now complete after a decade in development

$9.7b
of construction work including Bankwest Stadium

Strengthened

US$1b
residential investment partnership

- Funds under management increased by 17 per cent to $35.2 billion
- Post balance date secured a major urbanisation project in the San Francisco Bay Area at c.$20 billion

Places we will create

To be delivered

$96.1b[2]
Development pipeline

- 21 major projects[2] across 10 gateway cities
- Three new major projects secured in FY19: Victoria Cross in Sydney, Lakeshore East in Chicago, and MIND in Milan
- Preferred development partner for the $14.5 billion Thamesmead Waterfront and $2.7 billion Birmingham Smithfield projects in the UK
- Development pipeline includes $14.7 billion communities and retirement pipeline, c.50,000 lots

$9.9b
of new secured work in Core Construction

$15.6b
Core Construction backlog revenue

Future legacies

- New Sustainability Framework supporting positive outcomes for the environment and society
- Signatory to the Uluru Statement from the Heart
- Partnerships to skill people and support them into meaningful employment: 2121 in Italy, Chicago Cook Workforce Partnership, and CareerSeekers in Australia
- New philanthropic initiative, FutureSteps, with $500,000 seed funding to boost support for vulnerable people

Awarded

2018 International Property Awards Best Office Development, Commonwealth Bank, Darling Square

LEED Gold Certification The Cooper, Southbank

Workplace Wellbeing Awards 2018-19, held by UK mental health charity Mind, Lendlease Europe received the highest accolade

The Council on Tall Buildings and Urban Habitat 17th Annual Awards, Best Tall Building Awards, Residential or Hotel Building in the World, 277 Fifth Avenue, New York City

2018 GRESB Our Asia funds again topped the rankings in the Asia Retail category for leadership in sustainability

2019 Australasian Reporting Awards Integrated Reporting Award (FY18 Integrated Report) for the second year running

Cannes Lions International Festival of Creativity 2019 Silver Lion, Lendlease Mums for Safety campaign

2. Includes the San Francisco Bay Area project c.$20 billion secured post balance date.



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Chairman's Report

In my first report as Chairman, I acknowledge the past year has been a difficult one for the Group which has impacted our securityholders, customers and employees. The underperformance of the Engineering and Services business, and subsequent erosion of securityholder value, has been disappointing, and has overshadowed the underlying strong performance of our core business, which has achieved significant success.

My immediate priority as incoming Chairman was to lead the Board in a strategic review of the Engineering and Services business. This review made it clear that despite the strength of the sector in which Engineering and Services operates, and the ability of our team to deliver outstanding customer solutions, the business has a different risk and return profile to that of the broader Group.

Accordingly, we determined the business was non core and separating it from the Group was in the best interests of securityholders and employees. This would allow both the Group and the Engineering and Services business to focus on their core competitive advantages. The Board is currently overseeing a sale process for the non core business.

Our primary strategic focus for the past decade has been to respond to the global trend of major urbanisation in key gateway cities. Significant progress has been made and today Lendlease has a development pipeline approaching $100 billion of which approximately 70 per cent is offshore. This reflects our competitive advantage in placemaking and provides a substantial platform for future growth.

On behalf of the Board, I recognise we need to rebuild the confidence of the market in our ability to leverage this platform to deliver long-term sustainable growth in securityholder value. This is my personal accountability, and the Board and leadership team will work with determination to rebuild confidence in Lendlease and set the company up for future success as it delivers on its record pipeline.

Health and Safety

Health and Safety remains our number one priority and the human element of what we do takes precedence over everything else. Our people often work in challenging environments and Lendlease has an unrelenting focus on safety.

Following the tragic fatalities of 2018, we undertook a detailed review across our global businesses to gain deeper insights into how cultural factors link with safety performance across different geographies and sectors. We will apply these insights in our review of our Global Minimum Requirements for safety during 2020.

Financial Strength

The Group delivered Profit after Tax of $467 million for the financial year ended 30 June 2019, impacted by the underperformance of the Engineering and Services business.

Securityholders will receive a final distribution of 30 cents per security, taking full year distributions to 42 cents per security. The payout ratio for the year was 50.7 per cent, which is within the Board's stated target range of 40 to 60 per cent of earnings.

The on market buyback was announced in February 2018 and completed in February 2019, with $352 million of securities purchased. This resulted in a three per cent reduction in the weighted average number of securities on issue.

The Group enters FY20 in a strong position with a record pipeline of work, cash and cash equivalents of $1.3 billion and gearing of 9.9 per cent. The resilience of the balance sheet, along with continued capital partnering, provides the financial flexibility to capitalise on growth opportunities generated by our business model.

Governance

During the year, the Board undertook a comprehensive review of its governance practices. A range of opportunities were identified to enhance the effectiveness of Board processes and the responsibilities specifically reserved for the Board and its committees.

As a result, changes have been implemented to increase the focus of the Board on strategy, reputation, customers and our people. We have established a separate Risk Committee, of which all Directors are members, with a mandate to address risk frameworks, oversee specific exposures and consider major transactions for Board approval. The Audit Committee will continue to focus on the effectiveness of the control environment and financial reporting. The remit of the Sustainability Committee has been expanded to include the full spectrum of environmental, social and governance matters.

More detail on some of the areas where the Board has focused efforts to support value creation for the Group is provided on pages 88 and 89 of the Annual Report.

Purpose

The financial health of an organisation is fundamental for any business. However, the non-financial value drivers such as safety, sustainability, culture, diversity and creating opportunities for people and communities have never been more important.

Businesses must also demonstrate purpose, long-term strategy and shared value creation.

Our vision is to create the best places. They are places that provide opportunities for society and that can stand the test of time. This has been a consistent ethos of Lendlease for over 50 years.

In the coming year I look forward to working with the Board and CEO Steve McCann to continue to evolve our purpose around the positive difference we make for people and how that value is consistently woven through the physical places we create.

When we do this, we help to create the best places for customers and the communities we serve, inspire our people and deliver sustainable growth for our securityholders.

Customers

Trust is the foundation on which good business is done. And given the size, variety and scope of the projects Lendlease undertakes, we are acutely attuned to the importance of maintaining that trust with our stakeholders.

This integrated report enables us to provide more transparency of our performance, progress on long-term value creation and risk mitigation. By applying more scrutiny on our progress, we are learning and improving.

Our core strategic focus for the past decade has been to respond to the global trend of major urbanisation in key gateway cities. Significant progress has been made and today Lendlease has a development pipeline approaching $100 billion.

Culture

A number of elements contribute to a culture that is able to deliver the best places and create long-term value. These include our values, the quality, capability and passion of our people, and the diversity of our workforce.

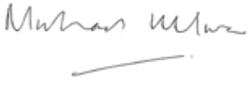
The Lendlease Global Employee Awards, where our people are recognised for their contribution in areas such as safety, customer care and the application of our values, are an annual highlight for the Board. The awards showcase the diversity of talent across all our disciplines that allow our people to deliver the best places.

Looking to the future

Lendlease has established a leading global presence in urbanisation which leverages our core capabilities in development, construction and investment. Key to this has been the capability of our people and our acute awareness of the need to drive positive social and environmental outcomes in order to deliver sustainable economic results for our securityholders.

2019 has been a difficult year and there remains much to be done in 2020 as we separate Engineering and Services.

The Board however is confident that the strategic platform that has been established, positions the Group to leverage its competitive advantage for the benefit of our securityholders.



Michael Ullmer, AO
Chairman



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Group CEO and Managing Director's Report

It was a difficult year for Lendlease with the provision taken for underperforming Engineering projects impacting the overall financial result. I am very disappointed with this outcome and accept full accountability in my role as CEO. I am pleased to emphasise though that we have had a good year in other parts of our business, despite some market headwinds, and importantly we have built a very strong position to deliver longer term earnings growth.

The cornerstone of the Group's strategy is to create the best urban precincts in key global gateway cities. During the year, we were chosen as the development partner for several transformational projects in those cities. This is a strong endorsement of our urbanisation capabilities from both public and private sector clients and why our development pipeline, now approaching $100 billion, has grown rapidly.

Health and Safety

Every day, tens of thousands of people around the world come to a Lendlease place to work. As our pipeline grows, so do the number of workers in our care. Our commitment to their health and safety, and everyone else who interacts with us, holds the highest priority for Lendlease.

We benchmark our performance often beyond industry standards. This year we maintained our Critical Incident Frequency Rate at 0.8 and 90 per cent of our operations did not experience a critical incident.

We continue to move towards a culture of care on our worksites. We have seen an exceptional uptake by our people to self-report incidents via a safety app. Through this we can continue to improve and refine our safety approach.

Our commitment goes beyond the physical care of people to their mental wellbeing. This year we were the Multinational Employer winner at the 2018 Global Healthy Workplace Awards.

Financial performance

It was a financially challenging year for the Group with Profit after Tax of $467 million or 82 cents per security for the year ended 30 June 2019. The Group's core business, excluding Engineering and Services, had a solid year with Earnings per Security of 141.8 cents and a Return on Equity of 12.8 per cent.

As noted in the Chairman's Report, the decision was made that the Engineering and Services business is non core and will be separated from the Group. This is detailed in the Directors' Report and Performance and Outlook sections of this report. As the separation process progresses, we remain committed to delivering the best possible outcome for our clients, employees and securityholders.

The after tax loss of $337 million for the non core business included a $500 million pre-tax provision for underperforming Engineering projects that was brought to account in the first half of the financial year. We have reviewed the status of the entire Engineering portfolio as part of our full year reporting process and our provisioning is appropriate based on that review.

Strong apartment earnings, particularly at Darling Square in Sydney, underpinned the Development result. The team worked hard and did a great job achieving 100 per cent settlements on that project in a slowing market. The Development highlights included completion of the office precinct at Paya Lebar Quarter and the formation of a new residential investment partnership in the US with one of our key investors.

In Construction, margins were down in both Australia and the Americas, while Europe delivered an improved performance with both revenue and margin up strongly on the prior year. New work secured was strong with diversity by client, sector and geography.

In Investments, the Retirement Living business recovered strongly from a subdued period for the industry, with resales across the portfolio up 21 per cent. Higher investment income and solid asset value appreciation was derived from co-investment positions. Fee income was also higher, driven by growth in funds under management and strong performance across the asset management businesses.

Strategy

The world is urbanising rapidly. Our strategy must meet the needs of cities that are recording unprecedented density challenges, and provide new living and working solutions to keep pace with our customers' expectations and preferences. We believe that by delivering thoughtfully designed urban precincts with a strong focus on environmental and social outcomes, we can play an important role in helping to mitigate the challenges of urbanisation and leave a positive legacy.

Our core business model delivers proven integrated capabilities across Development, Construction and Investments. These capabilities, combined with our financial strength and strong track record of delivery, are Lendlease's points of difference.

Our portfolio of 21 major urbanisation projects across 10 cities delivers on our objective of diversifying to targeted international gateway cities. These long-dated projects provide strong visibility of future earnings.

Over the last five years, the urbanisation pipeline has grown significantly from $25 billion to approximately $80 billion, within the total development pipeline of $100 billion. That provides scope for development activity to accelerate materially over the medium term with diversity by gateway city and product type, including our residential for rent platform.

A substantial uplift in the amount of institutional grade product will be created for capital partners and the Group's Investments platform as development activity accelerates. Since FY14, funds under management has more than doubled from $16 billion to $35 billion. The Group is well placed to double funds under management again as the urbanisation pipeline is delivered.

Culture

Lendlease is an organisation with a proud culture and history.

The strength of our pipeline is testament to the innovation of our people and their willingness to continually rise to the challenges and opportunities presented.

An inclusive and diverse work environment inspires employees and drives innovation and growth. We are working hard on our diversity agenda and helping to drive workplace flexibility and gender pay parity in our industries. Today 26.1 per cent of our leadership positions are held by women. This is an improvement but we still have some way to go. Pleasingly, and for the second year running we have been named a Platinum employer by the Australian Workplace Equality Index, recognising the work we do to promote LGBTI inclusion.

Lendlease is a great company and our pipeline has never been stronger. We will work very hard to convert the tremendous backlog we now have to deliver attractive returns for our securityholders over time while striving for leadership in health, safety and sustainability.

Sustainability is also a core principle of our organisation. During the period, our flagship office fund, APPF Commercial, was ranked No. 1 globally in the 2018 GRESB survey for the fourth time in five years. We are one of the early signatories to the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures and you will see scenario disclosures included in our Integrated Report going forward.

Outlook

Lendlease is a great company and our pipeline has never been stronger.

The experience of the past year has highlighted the need to stay focused on our core strategy.

We believe our placemaking and origination capabilities are world leading. Our success internationally is testament to our strategy and the depth of talent we have been able to develop over many years. We will work very hard to convert the tremendous backlog we now have to deliver attractive returns for our securityholders over time while striving for leadership in health, safety and sustainability.

Welcome new Lendlease Chairman

Finally, I welcome our new Chairman Michael Ullmer. Michael is passionate about the value Lendlease creates for our customers, and the legacy we leave for future generations. I look forward to continuing to work with Michael and the Board to lead this wonderful organisation.



Stephen McCann

Group Chief Executive Officer and Managing Director

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2

The Role We Play

The world is changing. People around the globe are seeking city life, challenging and changing urban scapes.

As the population grows, along with the stress on our environment, sustainable ways of living are in demand and the opportunities to get it right are many.

Technology is opening up new, better, different ways to solve challenges but also creating some challenges in itself. We say we're better connected, but many have never been so lonely.

Expectations are shifting.

The population is ageing. Older or not, new experiences and wellbeing are top of mind and our creativity seemingly has no bounds.

Governments, communities and individuals around the world are re-imagining the way we live, work and play.

Silvertown Quays, London (now)

Lendlease, in partnership with Starwood Capital, is set to regenerate this disused East End industrial area.

Picture courtesy of a Lendlease graduate.



Our strategy and capabilities

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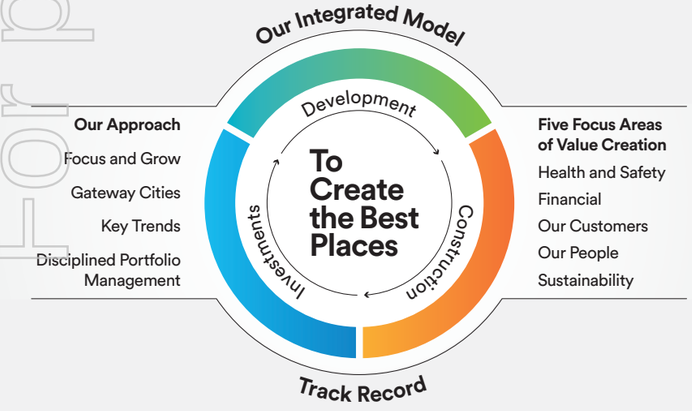
- The call for new, sustainable and economically viable ways of living is loud and pressing. Our strategy enables us to create the best places to meet demand.

Our approach

Recognised as a Leading International Property and Infrastructure Group



Maximising Long-Term Securityholder Value (target 10-14% Return on Equity)

We pursue our integrated business model – where two or more of the operating segments of Development, Construction and Investments engage on the same project – to create major precincts, new communities and important civic and social infrastructure.

This model, our financial strength and exceptional track record provide a point of difference we believe few can match.

To steer our presence we apply our gateway cities lens.

To leave a legacy people care about, and to be an organisation people want to work with and for, we manage and measure our impact and the value we create in five focus areas: Health and Safety, Financial, Our Customers, Our People and Sustainability.

We're proud of our heritage, and as we've done for the past 61 years, we strive to learn, to continue to embed innovation in our work, and to lead.

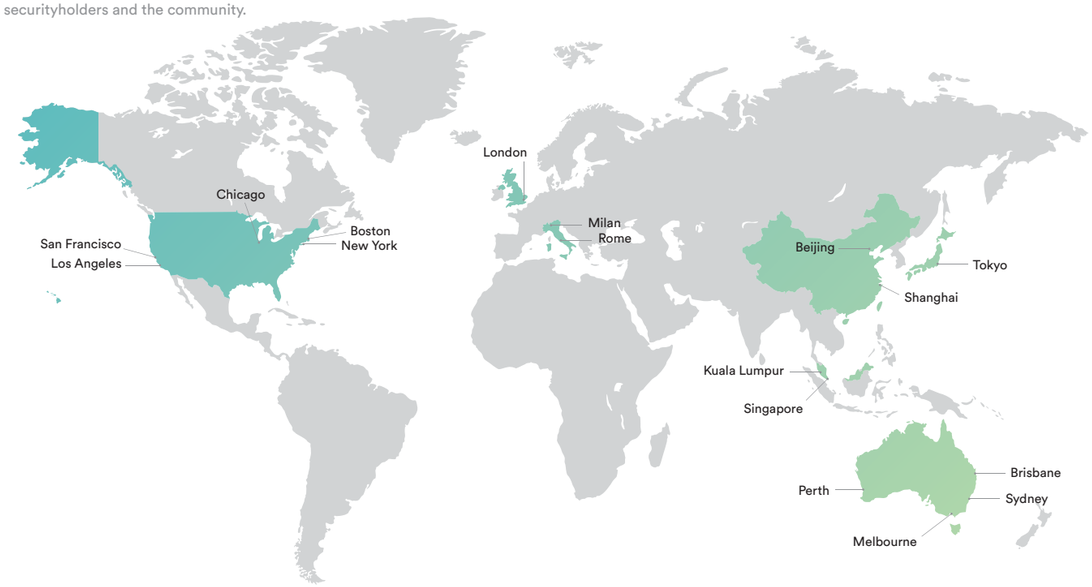
As we expand our footprint and expertise, we look to share our learnings so cities and communities beyond our work benefit too.

Our approach is disciplined and underpinned by a strong risk management and governance framework.

The result is a business that creates positive economic outcomes, as well as safe and sustainable ones, for our customers, partners, securityholders and the community.

Barangaroo South, Sydney

Around the world, people live, work and play in the places we create. Through these places we strive to leave positive economic and sustainable outcomes for customers, partners, securityholders and the community.



Global presence, gateway cities

- Lendlease's urbanisation-led strategy focuses on major 'gateway cities' around the world.

Gateway cities, relative to their national average, typically experience higher population growth, have the most appealing employment prospects, are more resilient through property and economic cycles, and attract more global investment capital.

Such cities often contain sites well suited to regeneration and infrastructure upgrades and play to the breadth of our skills. They are where we can deliver the most value and create the best places.

To identify the most relevant cities, we study global markets to evaluate key metrics: economic, business climate, geopolitical risks, urbanisation potential and capital market indicators.

Our decisions are also defined by the impact of global trends, our capability and presence, property fundamentals, unique attributes, and policy and planning frameworks. In any city we target, we need to be able to operate in a way that complies with our robust safety and sustainability standards.

Through this lens, we identified 17 target gateway cities. Today, we operate in 15 of these, of which ten feature major urbanisation projects.

Our major urbanisation pipeline[1]



Americas

Lakeshore East, Chicago (above)
30 Van Ness, San Francisco
Southbank, Chicago



Europe

Milano Santa Giulia, Milan (above)
Milan Innovation District (MIND)
Euston Station, London
Silvertown Quays, London
Elephant Park, London
International Quarter, London
High Road West, London
The Timberyard Deptford, London



Asia

The Exchange TRX, Kuala Lumpur (above)
Paya Lebar Quarter, Singapore



Australia

Victoria Cross, Sydney (above)
Barangaroo South, Sydney
Victoria Harbour, Melbourne
Melbourne Quarter
Brisbane Showgrounds
Circular Quay Tower, Sydney
Waterbank, Perth

All images are artist impressions

1. Projects with an estimated end development value greater than $1 billion.

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Global trends influencing our strategy



Urbanisation

Today, 55 per cent of the world's population lives in urban areas, and that's expected to increase to 68 per cent by 2050. The human shift from rural to urban areas, combined with the overall growth of the world's population, could add another 2.5 billion people to urban areas by 2050[1]

Where we are today

We have 21 major urbanisation projects[2] located across 10 global gateway cities. Since FY14, the urbanisation pipeline has risen from $25 billion to approximately $80 billion[2] which includes more than 30,000 residential units and over two million square metres of commercial space.

The strong growth in recent years has been generated by extending our integrated business model to targeted international gateway cities. 81 per cent[2] of the pipeline is in gateway cities outside of Australia.

Global infrastructure

Global infrastructure spending is estimated to rise to an average of US$5.1 trillion per year between now and 2035[3]

Where we are today

We have secured an increasing number of projects as a result of the global infrastructure boom. Sydney Metro Martin Place and Victoria Cross integrated station developments were secured this year. We have delivered important infrastructure across numerous sectors including health, entertainment, civic and defence. We are increasing our presence in telecommunications assets.

Funds growth

Global assets under management are forecast to rise from US$85 trillion in 2016 to US$145 trillion by 2025[4]

Where we are today

We manage $35.2 billion of property and infrastructure investments. Our funds under management has more than doubled since FY14, with approximately 80 per cent of the increase derived from our global urbanisation platform. A substantial uplift in the amount of investment grade product is expected to be created for our capital partners through our existing pipeline in traditional asset classes such as office, retail and industrial, as well as new asset classes such as residential for rent and telecommunications.

Technology, digital and data

The exponential growth of internet use has created a new society of hyper connected citizens. Estimates predict that by 2025, on average, every connected person will have a digital data engagement over 4,800 times per day[5]

Where we are today

The emergence of the 4th Industrial Revolution has created even more opportunities to create new virtual experiences supported and informed by the ease of access to data and technology. More people have access to digital technology than ever and more products are consistently creating data. Data supported technology solutions can improve and enrich the lives of customers with places that are safer (for example, through the use of digital twins), with experiences they will love, and through new ways of working.

Solutions can also drive higher levels of predictability and repeatability not seen before.

Ageing population

Internationally, the number of people aged 60+ is projected to grow three times faster than the overall population (2.4% vs 0.8% p.a.) between 2015 and 2050[6]

Where we are today

Demand for greater healthcare support services and retirement living is increasing and alternative models are emerging. Lendlease's Retirement Living business is one of Australia's largest operators of retirement villages. We continue to listen to customers so their transitions are the best they can be. We have also created highly awarded healthcare facilities and our expertise is expanding into innovation precincts that focus on solving human challenges, including those associated with ageing.

Sustainability

Climate change and society's response to it are now widely recognised as foundational drivers of risk and opportunity within the global economy[7]

Where we are today

The frequency and financial impact of extreme weather events have increased over the last 30 years. We acknowledge our role in minimising impact on the environment and creating resilient places and communities. Our response aligns to the recommendations from the Task Force on Climate-related Financial Disclosure and we provide confidence to our investors by being a signatory to the United Nations Global Compact. We are recognised by GRESB as an international leader, with the Lendlease managed Australian Prime Property Fund Commercial ranked first. We are also focusing our efforts on developing initiatives that address critical social issues and integrating sustainability into every part of our business.

1. World Urbanization Prospects: The 2018 Revision, United Nations. **2.** Includes the San Francisco Bay Area project c.$20 billion secured post balance date. **3.** McKinsey Global Institute: Bridging Infrastructure Gaps – Has the World Made Progress? October 2017. Includes some internal calculations. **4.** Asset & Wealth Management Revolution: Embracing Exponential Change, PwC 2017.

5. IDC's DataAge 2025 - The Digitization of the World. **6.** World Population Prospects: The 2017 Revision, United Nations. **7.** Ref: https://www.apra.gov.au/sites/default/files/climate_change_awareness_to_action_march_2019.pdf

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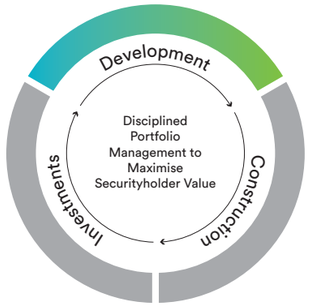
Development



- Financial returns for the segment are generated via development margins, development management fees received from external co-investors and origination fees for the facilitation of infrastructure Public Private Partnership transactions.

Our Development segment comprises activities across urbanisation, residential communities and infrastructure development.

Our capability

Placemaking is the capability that sets us apart to realise our vision to create the best places. Managing the entire development process is essential for success; from securing land, creating masterplans, consulting with authorities and communities, through to project management, sales and leasing. At scale, we are able to create more meaningful outcomes.

We have the expertise to reinvent neglected and underutilised areas into thriving places that connect people through work, leisure and living.

A willingness to undertake ambitious projects, to challenge the status quo, and collaborate with a range of partners to generate the right solutions are key elements in our approach. These, combined with patience, thoughtfulness, experience and humility, lead to achieving great outcomes.

We have a proud history of balancing environmental, social and economic outcomes. Success is not only measured by financial outcomes, it's equally about the quality and sustainability of the places we create.

Urbanisation

The cornerstone of Lendlease's strategy is to leverage our integrated business model to create the best urban precincts in key gateway cities. Securing major urbanisation projects where the breadth of Lendlease's skills are applied to great effect, is where our competitive advantage comes to the fore.

Our first major[1] urbanisation project, Victoria Harbour in Melbourne, was secured in 2001 and has a further eight years to run. This is typical of the type of project we look to secure, involving a precinct-wide approach that spans multiple property cycles.

Broadening the urbanisation platform via targeted international gateway cities has driven rapid growth in our pipeline, which now comprises 21 major projects[2] across 10 gateway cities.

In five years, Lendlease's urbanisation pipeline has more than trebled to over $80 billion, including the San Francisco Bay Area project secured post balance date.

We believe we are the pre-eminent urbanisation specialist with a growing track record of outcomes for placemaking, sustainability and connectivity.

Being awarded a number of large-scale projects in recent years, including London's Euston Station, Victoria Cross in Sydney, Chicago's Lakeshore East, and Milano Santa Giulia in Milan, is a strong endorsement of our expertise and our status as a partner of choice.

We expect development activity to accelerate over the medium term as the secured pipeline progresses through planning and into delivery.

Lendlease's integrated model is fundamental in delivering the extensive pipeline. Working alongside Development, our Construction segment provides design and delivery excellence, while Investments attracts capital partners for financing.

Residential and retirement communities

We have more than 50 years of experience in creating new suburban communities in Australia, with more than 50 projects delivered to date.

We masterplan and deliver the streetscape, open spaces, town centres and blocks of land. We have 16 active projects across key population growth corridors that are anticipated to deliver approximately 50,000 individual land parcels within Australia and the US.

We expect to create and upgrade thousands of retirement units over the coming decade across the portfolio of 72 retirement villages in Australia. Our development expertise in retirement living was recently extended to Shanghai. The first project is underway, with additional opportunities being explored.

We expect there will be periodic redevelopment opportunities over the remaining 37-year average project life across our US Military Housing portfolio.

Infrastructure development

We provide infrastructure development services for Public Private Partnership projects in Australia. Financial arrangements, and transactional and other advisory services, are delivered in the capacity of sponsor for projects in a range of sectors, predominantly in social infrastructure. The Sydney International Convention, Exhibition and Entertainment Precinct was one such project.

The development of telecommunications towers in the US continues to gain traction. While still in its early stages, growth prospects remain solid.

1. Projects with an estimated end development value greater than $1 billion.
2. Includes the San Francisco Bay Area project c.$20 billion secured post balance date.



The official launch of The Exchange TRX, Kuala Lumpur

Lendlease is partnering with the Malaysian Government to realise its vision to transform the precinct into a world-class lifestyle and business hub.

FY19 highlights

Development pipeline approaching $100 billion[1] comprised of $81.2 billion[2] urbanisation and $14.7 billion retirement and communities

Three major urbanisation projects secured: Victoria Cross in Sydney, Lakeshore East in Chicago and Milan Innovation District

Secured the San Francisco Bay Area project post balance date

Urbanisation platform encompasses 21 major projects[2] across 10 global gateway cities

Delivered our first ever residential for rent apartment building, The Cooper at Southbank, Chicago

Completed Darling Square featuring six residential buildings, a commercial building and a new public library

Preferred partner for London's Thamesmead Waterfront and Birmingham Smithfield projects

1. Includes $0.2 billion of infrastructure development.
2. Includes the San Francisco Bay Area project c.$20 billion secured post balance date.

Construction



- Financial returns for the segment are generated via project management and construction management fees, in addition to construction margin.

The Construction segment provides project management, design and construction services across a wide range of sectors.

Our capability

Our construction capability is brought to life in the places and structures we create – workplaces for some of the world's most well-known brands, vibrant retail centres, residential apartments, state-of-the-art hospitals, and other buildings of civic and social importance.

We have delivered construction projects around the world for 61 years, creating thousands of buildings over this timeframe. And projects delivered by businesses acquired by Lendlease span more than a century.

We are recognised for creating innovative places that stand the test of time and entrusted to create iconic buildings that shape city skylines.

It's a legacy that makes us proud.

The Lendlease approach

The Construction segment combines the benefits of global scale and the rich heritage of corporate knowledge with a localised capability, capacity and network to deliver high quality projects.

Specialist design and project management teams combine deep sector and product knowledge with strong customer relationships to create places that are innovative, sustainable and commercially viable.

A successful project is more than just the delivery of buildings. An integral element is an approach where our team of industry experts work collaboratively with the client to identify, plan and deliver what is important for them.

A significant proportion of repeat business is testament to our focus on relationships.

Our risk management processes have evolved from decades of experience. Disciplined origination and diversity by client, contract type and sector are hallmarks of our approach.

Substantial de-risking takes place prior to commencement of construction. Production and programming controls monitor and manage delivery, while a rigorous commissioning process is applied for a smooth transition to the client.

Construction's role in Lendlease's integrated model

Our Construction segment typically designs and delivers the built form for the urbanisation pipeline.

A shared vision generates superior outcomes for all stakeholders. For example, design iterations running in parallel with planning lead to more creative, cost effective and timely solutions to meet occupier and capital partner demand.

The Darling Harbour precinct is an example of where our delivery expertise and certainty we provide to partners on long-dated projects can be an important component of our offer.

We expect future built form environments to be increasingly tied to precincts and hubs. The experience and knowledge gained from the delivery of the extensive urbanisation pipeline strengthens our ability to be a partner of choice.

Innovation

We use our scale and capacity to innovate and disrupt the construction sector.

Our investment in smart design and advanced manufacturing has improved safety, sustainability and efficiency, and has created exciting architectural and sustainable solutions.

We have innovated in the manufacture and use of engineered timber in Australia, and now use the product across our global business. We have also developed other product solutions across supply chain, prefabrication and modularisation.

We are developing stronger digital capability to enhance our construction business. This is enabling us to simulate all aspects of construction from design to structural integrity to system performance and user preferences. We expect this to lead to a faster pace of innovation and productivity across the business.

Non core Engineering and Services

We are in the process of separating the Engineering and Services business following a strategic review that determined it was no longer core to Lendlease's strategy. It no longer forms part of the Construction segment.

Further details can be found in the Chairman's Report, Group CEO and Managing Director's Report, Performance and Outlook section and the Governance section.



Bankwest Stadium, Sydney

In FY19, we completed work on the new 30,000 seat Bankwest Stadium on behalf of the New South Wales Government as it boosts the state's major events standing. The stadium puts spectators closer to the field of play than any other stadium in Australia.

FY19 highlights

$9.7 billion of construction activity, including:

- External client completions: Bankwest Stadium, Sunshine Plaza redevelopment
- Integrated model completions: Nine apartment buildings, six office buildings, one retail centre redevelopment

Construction backlog revenue $15.6 billion

$9.9 billion of new work secured including:

- Sydney Metro Martin Place and Victoria Cross integrated station developments, Circular Quay Tower in Sydney, Melbourne Park Redevelopment Stage 3, several high rise residential tower contracts in New York, and the regeneration of the former Birmingham City University Campus

Future construction work on integrated projects from growth in our urbanisation pipeline

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Investments



- Financial returns for the segment are generated via fund and asset management fees, and yield and capital growth on ownership interests.

The Investments segment owns and manages property and infrastructure assets.

Our capability

Our expertise in managing property investments is a cornerstone of Lendlease dating back to the 1950s.

We launched Australia's first real estate investment trust in 1971, which provided investors an opportunity to invest in high quality commercial assets. Over time, we've fostered deep relationships with key global capital partners such as sovereign wealth funds and large public and private pension funds.

Today, we have 150 institutional capital partners.

The high quality and sustainable product we create through our integrated model is the key point of difference for our Investments segment. 100 per cent of our urbanisation pipeline is targeting green certification.

Funds management platform

Our global funds management platform manages $35.2 billion of investments, predominantly across the retail and office sectors. We offer investors a compelling proposition by providing access to a development pipeline approaching $100 billion[1].

Our world-class asset creation capabilities focus on placemaking to create vibrant and diverse precincts. Buildings that respond to the needs of occupants typically outperform over the long term.

Since FY14, our funds under management has more than doubled. The majority of that growth has been generated from the completion of assets across our urbanisation projects, such as the office component of Paya Lebar Quarter in Singapore.

Further growth is expected to continue over the medium term as the urbanisation pipeline converts into investment grade product. This includes residential for rent, a recent addition to our platform and a sector we expect to grow strongly. We launched a partnership to invest US$1 billion in the data centre sector across the Asia Pacific. Targeting key cities where the Group already has a strong presence, the partnership will enable us to leverage our integrated model in a sector with a strong growth outlook.

Demonstrating strong alignment with our capital partners, we have $1.7 billion of co-investments in our funds platform. This also provides a steady source of income for Lendlease.

Asset management

We've been managing retail centres across the world for more than 40 years and currently manage retail and office assets valued at more than $15 billion.

Our asset management capability enables us to create places that thrive for the long term. For example, our master-planning process looks holistically at the needs and potential for value creation of the assets as well as their ongoing relevance to the community.

We continually revitalise our assets to stay ahead of industry trends and deliver optimal customer experiences. The redevelopment of Sunshine Plaza in Queensland introduced a host of new retailers, a new dining promenade, and an innovative high ropes course to drive visitation and further create a sense of community.

Military Housing

In the US, we manage, and have an equity interest in a $13.3 billion Military Housing portfolio which provides a steady and high-quality source of earnings.

The portfolio comprises more than 50 Military Housing communities spanning 25 states.

We have long-term agreements with the US Department of Defense to manage these estates for military personnel and their families.

Retirement living

A key driver of our strategy, and a global trend, is the projected ageing of the population. This requires thoughtful solutions and greater healthcare support.

We are one of the largest owners, operators and developers of retirement living communities in Australia. Our footprint extends nationally across 72 villages and offers a range of accommodation options including premium resort-style living and a variety of standalone units and apartments – with or without services.

Our placemaking and asset management skills provide a strong sense of community. Dining, retail and entertainment facilities are typical features across our villages.

Other investments

Lendlease's other investments include telecommunications assets.

The ownership and asset management of telecommunications towers provides a prime opportunity to deploy our integrated business model.

Opening of the Sunshine Plaza retail precinct in Queensland after its $440 million redevelopment

Our investment in retail aims to create exciting new destinations and experiences for customers.

1. Includes the San Francisco Bay Area project c.$20 billion secured post balance date.

FY19 highlights

US residential investment partnership with First State Super

Capital partners increased their investment in the office precinct at Barangaroo

Strong investment performance from office assets and funds

Solid recovery in Retirement Living portfolio

Funds under management up 17% to $35.2 billion, including contributions from:

- The office precinct at Paya Lebar Quarter, Singapore
- One Melbourne Quarter
- Residential for rent assets in Chicago, Boston and London

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3

The Value We Create

As the world reinvents itself, so does the work we do and the way we do it.

We have grown from an organisation that primarily created singular places for people to work, live or play.

Today, we create and activate places that involve all three and this takes a whole new mindset.

Our core capability is placemaking. We design precincts that are vibrant, surprising and authentic. They are crafted and thoughtfully curated to help people feel safe, belong and thrive.

As global trends guide our overall business strategy, it's the preferences of people that guide the actual work we do.

For our places to be the best, they need to be places where people love to be.

Silvertown Quays, London (artist's impression of the future)

Revitalising this disused East London industrial area is expected to create 3,000 new homes (900 of them affordable), commercial space and extensive high quality public areas. The historic Millennium Mills and the listed Silo-D building are planned to be restored.

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Partnering.
From billions to the bees.

● Creating places where economic and social benefits are genuinely shared takes much more than the expertise and insights of one. It takes the power of many.

As we seek to do what matters, we look for common interests and we form partnerships. This becomes even more critical when creating intergenerational value – whether that's contributing to sustainable precincts, assisting governments with solutions for growing populations (and creating new investment partnerships to fund them), or strengthening communities.

Capital partners

Investors are looking for partners they trust to generate sustainable returns while also managing risk.

Our demonstrated ability to partner with third party capital highlights the strength and attractiveness of our integrated model.

We have longstanding relationships with 150 significant money managers from around the world, many of who partner with us across multiple geographies and asset classes.



In FY19, we progressed a number of initiatives with our capital partners.

- With First State Super we created a new investment partnership to develop and hold residential for rent assets in US cities (for example The Cooper, Chicago, above)
- Existing capital partners acquired interests in the office component of Barangaroo South. The office precinct is now valued at $6 billion
- In Singapore, we reached a major milestone – practical completion of the office component of Paya Lebar Quarter, a major urbanisation project we are undertaking in partnership with the Abu Dhabi Investment Authority
- Two existing capital partners purchased Daramu House in Sydney – an office building of approximately 10,000 square metres, built using Cross Laminated Timber, scheduled to be completed in FY20.

Government

Meeting the challenges of a world in transition requires both public and private participation. Governments look to the private sector to facilitate change, creatively solve societal challenges, mobilise fast, and provide value for money. These are not short-term partnerships, but increasingly 10, 15, even 20-year journeys starting at the genesis of an idea.

Trust and transparency are key, as is the ability to be insightful at the outset, deliver what's promised at completion, and leave a sustainable legacy.



In FY19, we were again selected to undertake important work for governments.

- In January, Birmingham City Council selected Lendlease as preferred bidder for the $2.7 billion Birmingham Smithfield development scheme – a partnership aimed at transforming the heart of the city with more than 2,000 homes and integrated public transport (artist's impression above)
- The New South Wales Government awarded Lendlease the contract to deliver a new metro railway station, Victoria Cross, and the building above it in the heart of the North Sydney business district. The development features retail and office space across 40 floors and improvements to the public domain. Its end development value is $1.1 billion
- Lendlease delivered the purpose-built Joan Kirner Women's and Children's Hospital in March 2019. Lendlease worked alongside the Department of Health and Human Services through the Victorian Health and Human Services Building Authority, as well as the local community, to meet the needs of one of the fastest growing areas in Australia.



The community

Communities, too, grapple with change. To help, we partner with experts and passionate individuals – not-for-profits, councils, environmental experts, archaeologists, students and more. There's no 'one size fits all' but learnings are shared as we move from one community to the next.

A snapshot of our FY19 community-based relationships



If we can support young people to complete education through programs like FutureSteps and help them move into employment, their chances of experiencing homelessness as adults is drastically reduced.

Platform Youth Services' CEO, Stephanie Oatley

Property sales initiative assists the vulnerable

In December 2018, we launched Lendlease FutureSteps in Australia – a philanthropic initiative to boost community programs that support vulnerable people and families. The initiative received $500,000 seed funding from the Lendlease Foundation and is set to receive 0.1 per cent of future residential revenue from our Australian business.

Our first partner, Platform Youth Services, received funding to assist six students with accommodation and support services to complete their education.

Our Sustainability pages 50 to 55 show more ways we're endeavouring to create opportunity for people.

Homes for the fauna

One-third of the world's food relies on pollination by bees, but now bees are in trouble. At our Hungate project in the UK, we partnered with local groups to create bee banks along the River Foss. We also partnered with students in Chicago to design habitats to attract and nurture native birds.

Boosting youth facilities

Through Projek Komuniti Kita in Kuala Lumpur, we collaborated with local social enterprise, Surprise Ventures, to support community growth in public housing communities. We upgraded two futsal courts and provided sports clinics and arts and crafts classes. In East Boston, we're a long-term partner of not-for-profit Zumix, which empowers youth to make positive change through music and creative technology.



The Ministry's strategy can't only be carried out by the government alone. It truly requires co-operation of various parties and private entities like Lendlease who are experts in urban regeneration and the creation of places that are built with a focus on driving inclusive communities.

Federal Territories Minister of Malaysia, Yang Berhormat Tuan Haji Khalid Samad

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Connected developments. At scale, they address new city living.

Governments are challenged with providing 'liveable' communities in cities that may already feel the pressure of density, social issues or traffic congestion.

Shaping large-scale master-planned projects is key to transforming 21st century cities, solving car-based infrastructure constraints and breathing new life into urban centres.

They are places designed with a pulse. They deliver more new workplaces, housing and play areas and recognise that the space in between all three is just as important, if not more so.

Policy makers look to the private sector to meet benchmarks across all these elements, and then lift the bar.









> **There is strong demand for public spaces for collaboration and innovation, and our library at The Exchange will help us expand Sydney's start-up ecosystem.**
>
> Lord Mayor of Sydney, Clover Moore



Features and firsts

Darling Harbour precinct

- 84,000 square metres of workspace, including Darling Square's Commonwealth Bank of Australia 6 Star Green Star building
- 2,700 square metres of retail and a 4,000 square metre playground with a 21-metre flying fox and water play
- 35,000 square metre International Convention Centre Sydney.

Darling Square component

- A new urban neighbourhood and City of Sydney library
- Lendlease settled 100 per cent of units across six buildings totalling $1.3 billion in revenue in FY19.

Awards

2018 Urban Taskforce Development Excellence Award for Commercial Office Development, Commonwealth Bank, Darling Square

2018 International Property Awards, Best Office Development, Commonwealth Bank, Darling Square

2018 Concrete Playground's People's Choice Award in the Best New Space category, Steam Mill Lane

Darling Harbour. A precinct transforms.

The New South Wales Government has rejuvenated the western edge of Sydney's CBD, from Barangaroo to Central Station.

At the heart of this is Darling Harbour – Sydney's second harbour and a recreational focal point since 1988 when it was first transformed from a disused port to a place for people.

Lendlease's association spans more than a decade with significant contributions across three sites – **Darling Quarter** (completed in 2011), the **International Convention Centre Sydney** (opened in 2016) and surrounding boulevard amenities, and **Darling Square**.

Our work had an end development value of $4.7 billion, generated approximately $3 billion in construction revenue, and created $1.4 billion of funds under management. The new International Convention Centre Sydney, delivered in a Public Private Partnership with the NSW Government, is estimated to generate $5 billion in economic benefits for New South Wales over 25 years.

Darling Square. A carefully crafted new neighbourhood.

The City of Sydney's local area is diverse with more than 50 per cent of residents born overseas. Its rich history reaches way before European settlement.

In 2019, the final piece of Lendlease's involvement came to fruition: the Darling Square neighbourhood featuring approximately 1,500 apartments, 3,000 workers, and beds for 1,300 students. It's been designed to be one of Sydney's most 'walkable' places.

Our vision was to create an enriched urban experience that stitches together the eclectic character of surrounding communities, celebrating their unique culture and past. In essence, to create a new place that felt already engrained within an older one.

Community services at the heart

Locals told us they wanted to be connected so we designed 2,700 square metres of open space including a new large public square at the precinct's heart. As the centrepiece of Darling Square, we created The Exchange, a spiralling six-storey community and retail structure with a market hall and the new two-storey home for the City of Sydney's Haymarket Library. Set to open in early FY20, the library is about four times the size of the existing one and will feature a collection of more than 30,000 items.

Supporting grass roots growth

In the mix of about 70 retailers, Lendlease is providing some lower rent and short-term lease space to attract diverse and new businesses. We're also trialling a new entrepreneur program, Bright, providing practical business support.

Fine details connect history and diverse people

The Eora people, the name given to the coastal Aboriginal people around Sydney, are acknowledged through 'fish scale' paving in Little Hay Street and public seating made by an Indigenous enterprise in Alice Springs. Inbuilt mahjong tables entice strangers to interact and colourful abstract art brings a fresh dynamic. Intricate brickwork mirrors existing century-old buildings to link the now to the past.

The natural world is central to design

We used biophilic architectural design – natural shapes, textures and materials – to connect people with nature.

A new office for the Commonwealth Bank of Australia was created on this basis. A climate change adaptation and resilience plan is in place.

Populations are changing. As are people's preferences.

Home ownership is not for everyone. Some people simply can't afford to buy while others relish the flexibility that renting provides – to move, upgrade or downsize as work and life circumstances change.

Some markets in which we operate are experiencing a shift to renting – whether through necessity or through choice.

The residential for rent model of housing (also referred to as build to rent or multi-family) is responding with much needed homes and an ethos that puts the tenant at the heart of the experience.

Residential for rent flips the traditional model of disconnected homes and unpredictable rent agreements with purpose-built, professionally managed and amenity-rich apartment living.

Policy makers are embracing it as a legitimate solution to address undersupply, including a lack of housing affordability. The UK's National Planning Policy Framework (March 2018) officially recognises the importance of the sector to deliver housing. In the US, residential for rent is well established and valued at US$3 trillion.









Artist's impression

> **Staff have been nothing short of amazing. Our one bedroom is spacious and we have a beautiful view of Lake Michigan, right from our room! The amenities are definitely what sold us on this building, though.**
>
> Julie and Tom,
> residents

Features and firsts

- In FY19, we completed our first residential for rent product with 452 apartments delivered at The Cooper, Southbank. This forms part of our residential for rent partnership, launched in FY19 with First State Super
- The Cooper consistently exceeded monthly leasing goals
- More than 150 trees have been planted to date, and that's expected to double as the Southbank development progresses
- Fresh honey comes from rooftop beehives at The Cooper.

Awards

2019 The Cooper achieved LEED Gold Certification

Southbank Chicago. Best residential for rent principles.

In 1971, Chicago's Grand Central Station was demolished. Despite numerous development proposals, the brownfields site on the south branch of the Chicago River remained mostly dormant for half a century.

Lendlease saw its untapped potential and in 2015 we began its transformation.

The US$1.5 billion Southbank development is inspired by Printers Row, the bygone hub of America's printing industry, to create a dynamic urban precinct with active connections to Chicago's vibrant art scene and surrounding communities. It's a new seven-acre neighbourhood, nestled in an old one, offering as many as 2,700 apartments across multiple towers and significant public space.

The Cooper at Southbank. Niche experiences define modern living.

In FY19, we opened The Cooper – our first residential for rent tower at Southbank. The 29-storey tower features a mix of homes from luxury studio apartments to three-storey town houses that surround the base of the building.

We know customers value rich experiences to pursue passions and connect with like-minded people. At The Cooper, residents can enjoy their own private space or interact with neighbours in more than 35,000 square feet of space that's been designed to promote community, wellness and creativity, right on their doorstep.

From a yoga nook to a five-star kitchen

For music lovers, there's a listening lounge with instruments and a high-fidelity sound system. Creativity can be shared at a shop space, complete with sewing machines and craft supplies, or solitude sought in a reading room with fireplace.

There's a games room, shuffleboard tables, a fitness centre with a yoga nook, and even a chef's kitchen for five-star entertaining. Plus a raft of shared outdoor spaces including a pool.

Amenities to connect the broader community

Inclusive placemaking creates a welcoming community for all.

The new Southbank Park, currently at two acres, wraps around The Cooper and features lush landscaping, meandering walkways, and a new riverwalk. We partnered with industrial design students from the University of Illinois to create birdhouses to attract native species back to the area. Although privately maintained, the park is open to everyone.

Environmentally friendly so everyone benefits

At The Cooper, energy consumption is minimised through efficient lighting systems and space heating and cooling, while low-flow fixtures reduce water use. Low-emitting materials and increased ventilation enhance indoor air quality, and the green roof and podium help to manage storm water, reduce the heat island effect, and reconnect people with nature.

Residents can buy fruit, vegetables and honey from five on-site beehives through a rooftop farming program, managed by The Roof Crop.

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Sustainable communities matter. A lot.

From time immemorial humans have flocked to urban centres to seek safety, prosperity, new experiences, or simply to find a community that's most 'them'.

Whatever the motivation, the trend to urban living is accelerating. The United Nations reports that two out of every three humans are likely to live in urban centres by 2050, and by 2030 the world could have an additional 12 megacities, each with more than 10 million inhabitants.

While city life presents huge possibilities, the stark realities are the impacts on the environment and human wellbeing.

Alongside the notion of sustainability, we aim to achieve resilience; in other words, to minimise the impact of the places we create and look for ways to help communities thrive.

That's why it's important to take the long and human view.











Artist's impression

> **This is what regeneration should be about. People of all backgrounds and incomes living side by side by side in the highest quality housing.**
>
> Leader of Southwark Council, Peter John OBE

Features and firsts

Elephant & Castle

- The £2.3 billion Elephant & Castle redevelopment features more than 3,000 homes of which approximately 600 are affordable homes
- A £300 million investment is being made to improve public transport and infrastructure and new community facilities.

The Elephant Park component

- 11 acres of public space including a new park for central London called Elephant Park
- 15 pioneering 'Futurehomes'
- Living Wage accredited.

Awards

2018 Housebuilder Awards, Sustainable Housebuilder of the Year

2018 Housebuilder Awards, Best Sustainable Scheme or Initiative, South Gardens at Elephant Park

2018 Landscape Institute Awards, President's Award

Elephant & Castle. Revitalising a once vibrant precinct.

London's Southwark Council is regenerating Elephant & Castle (known locally as 'the Elephant'), a place once so lively and full of attractions it was likened to Piccadilly Circus.

As part of this, Lendlease is transforming three sites – **One The Elephant, Trafalgar Place** and **Elephant Park**.

Our vision is to create a vibrant mixed-use precinct and new green heart for London.

At Elephant & Castle, we're tackling head on some of the most challenging issues that affect cities: affordable housing, jobs, social isolation and resources stress.

And we aim to create one of the world's most sustainable inner-city regeneration projects by 2025.

The greening of Elephant Park

In FY19, our focus has been on creating the Elephant Park site, a residential-led place with more than 2,500 homes, 50 plus shops and office space.

It includes 11 acres of public space, 1,200 trees, and a new park for central London called Elephant Park. Buildings feature green roofs and green walls, and 15 pioneering 'Futurehomes', accredited to the world-leading Passivhaus standard, have been built.

An on-site Energy Hub provides low carbon, affordable heating and hot water to local residents and businesses (and those in the adjoining Trafalgar Place). It can resource a further 1,000 plus homes across the broader area.

Skills and jobs for local people

Southwark Council's Construction Skills Centre, delivered in partnership with Lendlease at Elephant Park, has trained more than 6,000 people, including Southwark residents, for construction industry jobs since its launch in 2016 and was recognised by the Mayor of London as high quality.

More than 6,000 jobs are expected to be created including an anticipated 1,000 jobs once the development is completed.

Where possible, we employ locally. Since July 2013, we have employed 1,300 Southwark residents, more than half of whom were previously unemployed. Over one-third of the jobs for the previously unemployed were delivered through BeOnsite, Lendlease's not-for-profit that works with the hardest to reach people in society, including ex-offenders. We've also included employment obligations in retail contracts.

To create an early sense of community and place, a retail incubator space, Artworks Elephant, saw start-up retailers operate from brightly coloured shipping containers. Artworks had a social and economic return on investment of £12 million.

While Artworks came to a close in FY19, a number of these fledgling businesses are now taking space in the permanent retail offer.

Coming together to tackle loneliness

Research has shown that London is one of the world's loneliest cities. Parallel to our work at Elephant Park, we're collaborating with Collectively, an innovation and social change organisation, to rethink how places and spaces connect people. Working with a range of experts and the community through a Loneliness Lab, we're endeavouring to 'design out' loneliness from cities. One idea being explored, through design, is to encourage existing and new residents to talk to each other more.

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Creating the future.
Whatever that may be.

What we may consider to be the future is already here.

It's the 4th Industrial Revolution (IR 4.0) and it's merging machines and people. What makes IR 4.0 different is the pace at which it's moving and the way it's disrupting almost every part of our lives.

Leaders are seeking precincts that are designed for people to boldly create the future – to disrupt ourselves – and are asking Lendlease to deliver places dedicated to greater innovation and new ways to collaborate.

New projects with innovation at their heart



Melbourne Connect

Australia's leading innovation precinct

Lendlease is lead partner for the University of Melbourne's new purpose-built innovation precinct, Melbourne Connect (artist's impression above). It's a new model for collaborative innovation, co-locating the highest calibre research, industry, government, entrepreneurs, talent and other elite thinkers to address major societal, economic and environmental challenges. It is located on the former Royal Women's Hospital site, and is scheduled to open late 2020.



Milan Innovation District

Where great minds meet

In FY19, we signed an agreement to transform Milan's 2015 World Expo site into a world-leading science, knowledge and technology centre called the Milan Innovation District (MIND). With partner Arexpo, this unique urbanisation project (artist's impression above) has an end value of approximately €2.5 billion. Local students and communities – future workers and visitors – are helping to create the precinct.

This collaboration between Arexpo and Lendlease will provide the foundation of a top-level international project, and a unique opportunity for Italy.

Giovanni Azzone, President of Arexpo

Health and Wellbeing Precinct, Wollongong

Forward thinking health and aged care

In FY19, we signed an agreement with the University of Wollongong for the first stage of a $500 million state-of-the-art health and wellbeing precinct for the Illawarra region of New South Wales, Australia. With an anticipated opening of between 2023 and 2024, it will offer patient-centred healthcare, as well as aged care, early childhood education and care, retirement living facilities, research and teaching programs.

We take the long view too



Sustainable services at Barangaroo

A holistic view to sustainably manage assets

Our Living Utilities start-up delivers innovative and cost-effective utility solutions. Expertise contributes to smart solutions for urban regeneration projects and master-planned communities alike. For example, Green Utilities at Sydney's Barangaroo South views the management of infrastructure services (district cooling, recycled water and solar generation) as a means to be carbon neutral and water positive. Shared infrastructure can improve the productivity of services by approximately 20 per cent for commercial and 40 per cent for residential users.



Community fit for the future

Lendlease's Yarrabilba community, eventually home for approximately 45,000 people, aims to be Australia's first circular economy community. It's about being innovative with a focus on renewable energy, minimal waste and sustainable practices. Yarrabilba opened its sustainable display home in FY19 with a view to providing affordable and attractive housing with a reduced environmental footprint and employment opportunities for disadvantaged people living locally.

Sustainable material development

In the 1960s Lendlease created Australia Square – Sydney's first skyscraper and the world's tallest lightweight concrete building. It established new principles in design and construction.

In FY19, we continued to push boundaries in digital design, prefabrication and preassembly. The Exchange at Darling Square in Sydney features a circular façade wrapped in 20 kilometres of curved timber (pictured right). In Brisbane, we delivered one of the world's tallest engineered timber offices, 25 King. Off-site construction results in a process that's more streamlined and faster, and energy and material efficient. At completion, 25 King achieved 81 per cent of total waste recycled, exceeding industry best practice, with only 3.75 kilograms per square metre sent to landfill.

Also in FY19 Lendlease celebrated a five year partnership with the University of Sydney as it researched modularised apartments.



2019 Property Council of Australia Innovation and Excellence Awards, Australian Development of the Year, International House Sydney – the nation's first engineered timber office.

Designing new ways of working

How people work today will be different tomorrow. In FY19, we continued to design 'workplaces of the future' with research to better understand the motivations of Generation Z. Via the proprietary X-Ray app, we recorded nearly three million observations of people and how they use their workspace. Through this, we can continue to deliver progressive workplace strategies.

In Singapore, Lendlease partnered with JLL to hold Asia's first regional proptech accelerator, Propell Asia, giving start-ups the opportunity to testbed their solutions with corporates. In the UK, our PitchIt program looked to 'design out' safety issues in construction before anyone even sets foot on site. And our Australian business again worked with instructors from Stanford University's d.School to harness our people's ideas and develop innovative and entrepreneurial thinking.

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4

Managing and Measuring Value

We say we do what matters. But how do we know we do what people care about, and what creates positive outcomes?

Take safety, for example. At Lendlease, it's not a catchline, but a deeply held belief that is present in everything we do. Everyone has the right to go home safely and be safe in their interactions with us, and our endeavours focus on achieving that.

Beyond this, doing what matters is as much about the macro impacts we all care about – such as social, environmental and financial outcomes – as to what matters to the very individuals whose lives we touch every day.

We benchmark ourselves, often beyond industry standards and expectations.

Behind the metrics and measurement is a deep commitment to engage, collaborate, learn, improve and share, so our positive contribution can reach even those yet to be born.

Jeffrey Daniels, **Minjil** dance group

NAIDOC Week 2018

Lendlease's Cairns Central retail precinct in Queensland showcased Indigenous fashion and traditional dance performances.

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Our five focus areas of value creation

At Lendlease, we have five areas through which we focus our endeavours to create long-term value[1].

These underpin our ability to create economic, safe and sustainable outcomes for our customers, partners, securityholders and the community.

While we approach our focus areas with an innovative mindset, our decisions are supported by disciplined governance and risk management.

> Companies must start justifying their worth to society with greater emphasis placed on environmental and social impact, rather than just straight economics.
>
> Lendlease founder, Dick Dusseldorp (1973)

Area of focus	Material issue	How we deliver value	Value created	How we measure value
Health and Safety	Operating safely across our operations and projects. Maintaining the health and wellbeing of our employees and those who engage with our assets and sites.	We are committed to the safety of our people and those who interact with our assets and sites. Through our Global Minimum Requirements (GMRs) we operate to a consistent standard across all operations. These GMRs extend to physical safety and people's health and wellbeing.	Operating safely helps people feel valued and cared for, and fundamentally makes us more consistent, reliable and efficient in everything we do.	**Percentage of projects with no critical incidents:** A critical incident is an event that has the potential to cause death or permanent disability. This is an indicator unique to Lendlease. **Critical Incident Frequency Rate:** A Lendlease indicator measuring the rate of critical incidents. **Lost Time Injury Frequency Rate:** An indicator and industry standard measuring a workplace injury which prevents a worker from returning to duties the next day.
Financial	Delivering securityholder returns. Maintaining strong capital management to support ongoing investment in our future pipeline.	We deliver returns to our securityholders and adopt a prudent approach to capital management with a view to maintaining a strong balance sheet throughout market cycles.	Margins, fees and ownership returns across Development, Construction and Investments. Our Portfolio Management Framework sets target guidelines for how we manage our portfolio.	**Return on Equity:** The annual Profit after Tax attributable to average securityholders' equity throughout the year. **Earnings per Security:** Profit after Tax attributable to securityholders divided by the average number of securities on issue during the year.
Our Customers	Understanding our customers and responding to changes in the market. Designing and delivering innovative, customer driven solutions to win the projects we want to win and ultimately deliver the best places.	Embedding a process of continuous improvement based on customer insights and actions identified through market research. This approach also consistently measures customer satisfaction and advocacy.	Evolves our ability to improve the customer experience, building our brand and reputation, enabling us to win more work and grow our business. Customer feedback also provides greater insight into product development and innovation opportunities.	**Customer satisfaction and advocacy tracked:** Measured at the regional and business unit level and reported annually to our Global Leadership Team. Action plans are developed to drive continuous improvement in the customer experience, supporting the delivery and growth of our development pipeline, construction backlog and funds under management.
Our People	Attracting, developing and retaining diverse talent. Ensuring we have the right capability across the organisation to deliver results for all stakeholders.	We attract, develop and retain diverse talent by building a culture of collaboration and continuous learning, where successes are recognised and people are rewarded. We invest in developing leaders and capabilities to drive our success.	Capable and motivated people committed to the long-term success of our business. Effective succession planning and leadership transitions support business continuity and can reduce risks. Diversity of thought and experience can support innovation, knowledge sharing and better decision making.	**Retention of key talent:** The organisation benefits from its investment in leaders and key workforce capabilities. **Succession strength:** Demonstrates depth of capable talent ready to progress into leadership roles. **Leadership positions held by women:** Demonstrates our broader commitment to diversity and inclusion, and our objective of increasing female representation across our business.
Sustainability	Managing and optimising our performance in the context of challenges facing the built environment, including climate change and social pressures such as population growth and housing affordability.	As a signatory to the United Nations Global Compact, we are committed to the continuous improvement of our operations. We integrate strategies to mitigate the impact of climate change. For example, as a developer, Lendlease is committed to the creation of independently rated green certified buildings and precincts and climate resilient communities. We aim to deliver inclusive, healthy and adaptable places that can thrive through change.	Recognised leadership in sustainability enhances our brand and is a competitive differentiator. It also provides more opportunities to partner with governments, investors and the private sector who are placing increasing importance around Environmental Social Governance (ESG) matters.	**2020 targets:** Measurement of our 20 per cent reduction targets by 2020 across water, waste and energy. **Total development pipeline targeting green certification:** Demonstrates our commitment to green buildings across our development pipeline.

1. Previously referred to as Pillars of Value.

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Health and Safety

Everyone has the right to go home safely. We remain committed to the health and safety of our people, our subcontractors, and all of those who interact with a Lendlease place.

Every day, around the world, more than 50,000 people work on a Lendlease project, or in one of our assets or offices.

The health, safety and wellbeing of each person, as well as the millions of people who pass through, live or work in our places, is our number one priority.

Safety metrics

The underlying drivers of safety are culture, compliance governance and reporting, and we strive for excellence in all three.

In FY19, no corporate reportable fatalities were recorded across any of our operations. This is an improvement on the preceding two years and represents our ultimate performance goal.

Shifting from a compliance to a risk-based approach

Lendlease has a comprehensive framework of safety compliance – our Global Minimum Requirements (GMRs) – that encourage a hierarchy of risk control and are revised as we learn.

Our culture also plays an important role.

On Lendlease work sites, in corridors and meeting rooms, people ask, "what's the worst that can happen?" This is an enquiry-based approach to interrogate a specific task and find the safest way to do it.

In FY19, we engaged PwC to provide insights into the challenges our people face each day and the approaches they take to overcome them to keep safe.

It's clear our people are serious about safety. In a culture and climate survey, more than 90 per cent of our employees agreed that safety is a key priority in their teams and that Lendlease creates a culture of working safely.

From compliance checks to check ins

Rather than impose more compliance checks, our teams are being asked to self-report on safety practices – both positive and at-risk – via a mobile app.

Safety observations have increased from 25,000 per year three years ago, to more than 250,000 in FY19, giving us substantially more 'in situ' insights.

And a culture of care

Innovation and knowledge sharing are vital to take people out of harm's way. Across our regions, we look for better ways to do our jobs.

Working at height, for example, accounts for the most fatalities in our industry.

In the Americas, our 'no climb' initiative is replacing traditional high-risk climbing with alternative methods using cranes and cherry pickers. In Australia, our team on the Richmond River Bridge project created a new precast construction method and eliminated approximately 20,000 hours of work at height.

In FY19, Lendlease launched an awareness campaign featuring our workers' real mothers with a strong safety message. Called Mums for Safety, the campaign featured Lendlease Group CEO and Managing Director, Steve McCann's mother Margaret, and won a Silver Lion at the 2019 Cannes Lions International Festival of Creativity.

Key performance highlights

	FY18	FY19
Operations without a Critical Incident[1]	92%	90%

Critical Incident Frequency Rate[2]

FY18	0.8
FY19	0.8

Lost Time Injury Frequency Rate[3]

FY18	1.7
FY19	1.8

1. A Critical Incident is an event that caused, or had the potential to cause death or permanent disability. This is an indicator unique to Lendlease. **2.** The Critical Incident Frequency Rate (CIFR) is calculated to provide a rate of instances per 1,000,000 hours worked. **3.** The Lost Time Injury Frequency Rate (LTIFR) is calculated to provide a rate of instances per 1,000,000 hours worked.

Changing our mindset about safety and mental health



One in four people will experience a mental illness at some point in their life.

The issue is even more pressing in construction, an industry which experiences some of the highest rates of suicide.

In Australia, construction workers are six times more likely to die by suicide than from a workplace accident, and in the US, by industry, construction has the highest suicide rate.

In 2014, Lendlease established a Global Health and Wellbeing Framework and developed a multi-faceted approach to mental health encompassing awareness, intervention and support. We now have an Employee Assistance Program in every country we operate and train employees to identify signs of poor mental health and direct people to the right assistance. Lendlease has a GMR around mental health and fatigue, and it is part of our Risk Event Mitigating Controls.

We continue to engage with experts. For example, in the Americas we joined the Construction Industry Alliance for Suicide Prevention and launched an awareness pilot program with suicide prevention organisation, Living Works. In Australia, we turn to Mates in Construction as one of our partners.

More than 1,500 of our employees have been trained in the Mental Health First Aid program. In March 2019, a leader's program was launched, with approximately 245 leaders trained so far.

Gold Lendlease Europe received the highest accolade at UK mental health charity Mind's annual Workplace Wellbeing Awards 2018-19

2018 Winner Multinational Employer category at the Global Centre for Healthy Workplaces Awards

If you or someone you know is experiencing symptoms you think may be a sign of mental illness, please contact your local doctor or a support organisation.

Financial

- A strong balance sheet and access to third party capital enables Lendlease to fund the execution of its pipeline and deliver quality earnings for our securityholders.

Our approach to financial performance

The Portfolio Management Framework underpins our approach to how we govern our operations across the Development, Construction and Investments businesses globally. We generate earnings for our securityholders and deliver value for our customers through these businesses in their own right.

When these businesses combine and leverage the competitive advantage of our integrated model, value can be enhanced for our securityholders, partners and the community. This can include award-winning and innovative design excellence, creation of better public places, integrated transport outcomes and superior sustainable solutions.



Victoria Cross, Sydney
(artist impressions above and opposite page)

The NSW Government has awarded Lendlease the contract to deliver a new metro railway station and the building above it in the heart of North Sydney's business district.

Financial strategy

The Portfolio Management Framework is the core of our financial strategy. This framework sets target guidelines and is designed to:

- Maximise long-term securityholder value through a diversified, risk adjusted portfolio
- Leverage the competitive advantage of our integrated model
- Optimise our business performance relative to the outlook for our markets on a long-term basis
- Provide financial strength to execute our strategy, maintain an investment grade credit rating, and capacity to both absorb and respond to market volatility.

How we measure financial performance

When measuring financial performance, we focus on Return on Equity and Earnings per Security to measure the returns we achieve for our securityholders. The Portfolio Management Framework outlines target returns at a segment level. These returns are used to derive a Return on Equity target within the 10 to 14 per cent range, and Earnings per Security used to make distributions within the 40 to 60 per cent payout ratio target.

Detailed financial performance and outlook

For detailed information on our FY19 financial performance as measured under the Portfolio Management Framework, refer to the Performance and Outlook section on pages 62 to 75 and the Financial Statements on pages 128 to 190.

Portfolio Management Framework

Maximising long-term securityholder value

1. Capital allocation

Focused on gateway cities	
Australia	50-70%
International regions	20%[1]

2. Business model

Integrated model synergies Target EBITDA mix:	
Development	40-50%
Construction	10-20%
Investments	35-45%

3. Target returns

Group ROE	10-14%
Development ROIC	10-13%[2]
Construction EBITDA margin	2-3%
Investments ROIC	8-11%[2]

4. Capital structure

Investment grade credit rating	
Optimised Weighted Average Cost of Capital	
Target gearing[3]	10-20%

5. Distribution policy

Payout of earnings	40-60%
Capital management discipline	

1. Maximum per region. **2.** Through-cycle target based on rolling three to five year timeline. **3.** Gearing definition: Net debt to total tangible assets less cash.



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Our Customers

● Designing and delivering innovative, customer driven solutions allows us to win the projects we want to win and ultimately deliver the best places.

The value of listening to our customers is realised in the places we create for them.

Over the past decade, Lendlease has evolved into an organisation that delivers large-scale, mixed-use urbanisation precincts, new communities, and important civic and social infrastructure.

As we've changed, so too has the profile of a typical customer. We have direct relationships with millions of people across numerous settings including retail, work, leisure and retirement villages.

We now need to understand what people value across many areas and stages of their lives – work life, home life, how they want to spend their spare time – and respond with experiences and services they love.

Listening to create value

In FY19, more than 22,500 customers globally participated in research enabling us to measure whether they were satisfied with our products and services (C-SAT rating) and whether our experience fostered loyalty (NPS rating).

Overall, the global average for business unit performance for C-SAT and NPS declined slightly in FY19 off solid results in FY18. Specifically, a small decline was recorded in the Development portfolio (mainly in the B2B area). Investment Management was up overall. Construction performance remained strong, with some decline in the NPS rating.

Customers continue to value trust and strong relationships. These factors provide a buffer in difficult times and additional leverage when in a tender. Customers also value performance at key touchpoints and in delivery.

To improve their experience, customers told us we need to be easier to do business with, be well coordinated and collaborative.

The actual delivery experience also has to be excellent, for example, responding quickly and effectively to customer requests and delivering on promises in a timely way. Anything less frustrates customers and causes them, and us, more effort.

We continue to look for better ways to serve our customers.

Virtual reality gives customers a more personalised experience of our projects.



Customer snapshot[1]

217m
Retail visitors annually[2] (approximate)

125,000
Residents in US Military Housing (approximate)

443,500
Residents across apartments and communities[3] (approximate)

17,000
Retirement living residents (approximate)

1. As at 30 June 2019. Internal data capture, not audited. **2.** Number excludes Sunshine Plaza, Harbour Town and Urban Regeneration retail. **3.** An estimate of current and future residents based on our projects to date and existing pipeline.

Tailored technology to enrich the lives of customers and residents

An autonomous vehicle trial looked at ways residents of our villages can be more independent.



Practical use of technology has endless applications.

Digitally-led service response

Lendlease is making improvements to our customer digital experience platforms so we can better engage with customers and use data and insights to deliver products and services that they love.

Workspace and retail

In FY19, we launched a secure online Retailer Portal to help our approximately 1,200 retail tenant customers across 16 Australian retail precincts run their operations. It provides easy access to data, such as tax invoices and customer research.

In Singapore, our Paya Lebar Quarter (PLQ) team implemented a smart building management system called Open Building System Integration (OBSI) to get a single view of services and insights of the asset, including heat-mapping of office and retail spaces, energy consumption and maintenance. OBSI gives a robust digital audit trail to eliminate downtimes and saves time and money for customers.

Also in Singapore, we rolled out our loyalty program and mobile app, Lendlease Plus, so customers can enjoy shopping rewards and privileges.

In apartments

At our Elephant Park regeneration project in London, we created a 360° virtual reality room, the Vroom (pictured opposite page), to give customers a more personal experience of our project and apartments. And at Park Place Residences at PLQ, we provide an app for residents to book their facilities and manage their RSVPs seamlessly. The app also allows residents to control their smart digital door lock via their smartphone any time.

In retirement villages

An autonomous vehicle trial at our 27-hectare Elliot Gardens retirement village in South Australia showed how modern technology may extend mobility for our residents.

The trial, part of the South Australian Government's Future Mobility Lab Fund program, deployed four-person battery powered vehicles operating with speeds of up to 24 kilometres per hour.

With further technological advances in autonomous vehicles, we hope to help customers at our villages lead a more active and connected life.

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Our People

● Our people are the greatest contributors to our success and enable us to fulfil our vision to create the best places.

The nature of our work and the way we operate – a growing presence internationally, large-scale projects, partnering, and a genuine desire to innovate and create value – requires a diverse and capable workforce. Our ambition is to create a work environment that:

- Values and cares for its people, with safety our priority and people our greatest assets
- Is team oriented, inclusive and diverse
- Has inspirational leaders who others aspire to emulate
- Fosters a unique culture that balances entrepreneurial spirit, innovation and risk management.

To support these ambitions, our people strategy has focused on developing global leadership and technical capability, creating a consistently positive employee experience, and fostering a diverse and inclusive workplace.

Developing talent

Given the increasing breadth and required capability of placemaking, developing and retaining key talent is fundamental to our long-term success.

In FY19, our pipeline of successors for key leadership roles, along with the number of females in our succession pool, increased. For senior executive positions, we have a target of three unique successors and in our FY19 talent and succession review, 64 per cent of senior executive positions met this target.

Our target retention rate for key talent is 90 per cent or higher across all talent programs. In FY19, we achieved a retention rate of 94 per cent.

We continue to develop our expertise in project and construction delivery. This year we launched our Delivery Directors Program, focusing on construction, to complement our Integrated Project Directors Program.

We invest in the brightest new talent through our global graduate program, now in its third year. We have 486 graduates across our four operating regions.

For all our people, we introduced new Lendlease capabilities to help them develop the skills they need to deliver our pipeline of work, meet the expectations of customers, and build rewarding careers.

The launch of the Workday Learning platform in FY19 provides our people with access to an extensive suite of online learning and allows us to deliver programs that are targeted to support an employee's development goals.

Succession strength[1]



Leadership positions held by women[2]



The employee experience

For an experience that's positive and rewarding, we listen to our people and shape the cultural attributes we need to create the best places. To support this, we embarked on an enterprise-wide program of communication and employee engagement so that our people can participate in designing more collaborative, consistent and open ways of working.

We measure the effectiveness of our leaders through Our People Survey, conducted every six months. During the year, we were pleased to see an increase in the effectiveness of managers as measured by their direct employees.

Diverse workforce and included people

Our focus on diversity and inclusion starts in the way we hire, so that our workforce represents the diversity in society, and runs through our programs so our people are included and have a voice.

Gender equity

We undertake regular gender pay reviews to eliminate any gender-based pay gaps.

For the year ended 30 June 2019:

- Three out of our nine Directors are female
- Three members of our global leadership team are female
- 31.9 per cent of our employees are female.

Flexible work: supporting diversity and attracting and retaining talent.

We focus on three areas: policies and procedures to support flexible working, encouraging open dialogue between managers and employees about flexible working, and considering flexibility and hours of work when we establish project scope and customer commitments.

Inclusive workplace

2019 Australian Workplace Equality Index Awards, Platinum Employer (for the second year running), and LGBTI Employee Network of the Year (for having the best employee resource group for LGBTIQ)

1. Succession strength measures the average number of unique successors identified for senior leadership roles included in our succession review. **2.** Leadership positions include executive level roles, people leader roles and other senior roles as defined in the Lendlease Career Job Framework.

Gender equity. Where to next?



Hoarding art at Lendlease's Circular Quay Tower in Sydney, in partnership with social enterprise Two Good Co, gives thought to gender equity.

Artist Sharon Billinge

● In higher education, UNESCO reports only 35 per cent of students enrolled in STEM[1]-related fields are female and the attrition rate from then on is high.

This challenges our industry to realise gender equality aspirations.

In FY19, in his ambassador role as a Property Male Champion of Change, Lendlease Group CEO and Managing Director, Steve McCann, attended the Commission on the Status of Women at the United Nations in New York. He shared his experience and advocated for programs that increase participation for women.

To attract more females to our industry, Lendlease has introduced a range of benefits and policies, and mentoring and networking programs. We also partner with universities, schools, and industry and peer companies to champion STEM subjects.

In our global graduate program, we achieved a 50/50 gender balance, which is building a pipeline of talented women for future leadership roles. We will continue to focus on improving gender representation in our industry.

2019 Australian Workplace Gender Equality Agency (WGEA) Employer of Choice

2018 Lendlease was accorded the highest certification 'Eruboshi Level 3' by Japan's Minister of Health, Labour and Welfare in recognition of our efforts to advance the careers of women

1. Science, technology, engineering and mathematics.

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Sustainability

We pride ourselves on reaching industry firsts – not just because they're milestones, but because they're signals that we're pushing ourselves for new and better outcomes for people and the planet.

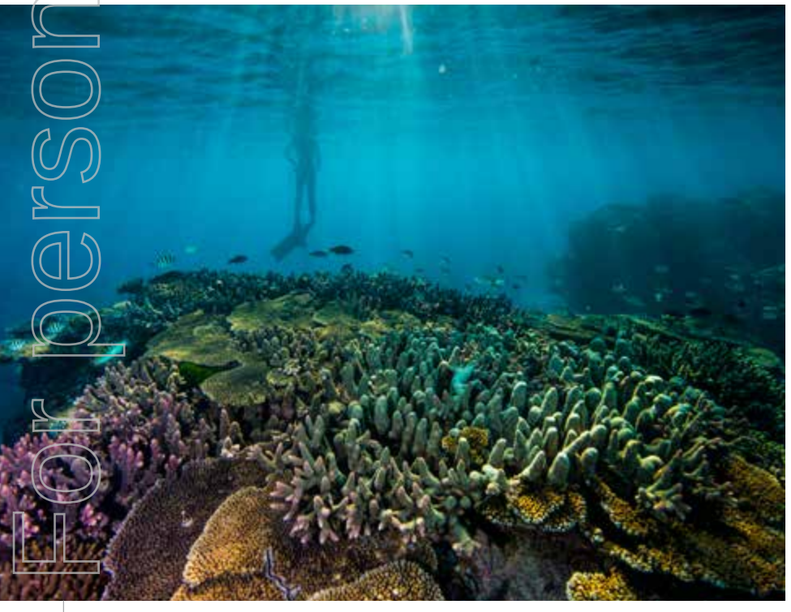
Lendlease has always had a powerful social ethos. It's what we have built our reputation on; being bold and pioneering.

We create places for the long term, and many places take a long time to create.

Some of the challenges we've taken on are systemic and not easy to overcome, like loneliness in big cities and joblessness among the disadvantaged. It's a case of thinking bigger than we've ever before.

At Lendlease, we're keenly interested in sustainable thinking and how across our Development, Construction and Investments segments we can reduce environmental impacts.

Ultimately, our goal is to mitigate our impacts on climate change and build resilience into the places we create for the people and communities who occupy them.



Our partnership with the Great Barrier Reef Foundation is a testament to our commitment to think bigger. It's a $5 million partnership supporting a range of programs to protect critical habitats and species in the Reef over the next 10 years.

100%

Total development pipeline achieved or targeting green certification

20 by 20

In 2014, we set our flagship 20 by 20 sustainability goals: a 20 per cent reduction in energy, water and waste sent to landfill for our operations[1] by the end of FY20.

These ambitious goals challenged our business and for the first time placed targets against our businesses. They've provided many learnings, for example, the impact on our goals of undertaking large remediation projects on former industrial sites.

Energy[2] 17% reduction

Lendlease's newer assets are more energy efficient with reduced energy used. However, improvements were overshadowed by more energy intensive projects, such as tunnelling.

Water[2] 8% reduction

More recent assets already have high water efficiency and most of our older assets have been retrofitted to improve efficiency. While this is positive, it has limited our ability to improve. Consumption on various large building and infrastructure projects impacted performance.

Waste[2] 25% increase

Over a third of waste in the past 12 months was predominately contaminated soils, unsuitable for reuse, which came from two projects. Lendlease includes contaminated soils, unlike other construction and investment organisations in our waste reporting. Removing this contaminated soil from our total waste, Lendlease would meet its nominated 20 per cent reduction target.

1st of 874 listed and non listed funds, 2018 GRESB real estate assessment

1. Energy and water are measured as reductions in intensity. Waste is measured as a reduction in the rate of waste sent to landfill. **2.** The above performance is at March 2019 and is a cumulative measure. Full FY19 performance is subject to Limited Assurance by KPMG and will be available on www.lendlease.com in October 2019.

Sustainability: the next chapter

Lendlease hosted The Girls in Property program which raises awareness amongst high school students about career paths in property and helps create a sustainable pipeline of talent for the industry.

Sustainability is more than energy, water and waste.

In FY19, we developed a new **Lendlease Sustainability Framework** for 2020 and beyond. It comes after extensive consultation with customers, investors, employees and other stakeholders on what matters to them and addresses environmental and social issues facing us.

Our new framework responds to the need to plan for future generations and integrates sustainability into every part of our business. It's an evolution of our 20 by 20 goals and is centred around three key sustainability imperatives, supported by environmental and social focus areas.

Our ability to respond to the imperatives will vary by business and region and therefore the framework is tailored to the type of work and places we operate in.



Our new Sustainability Framework

Our imperatives

- SUSTAINABLE ECONOMIC GROWTH — Supporting sustainable economic growth
- VIBRANT AND RESILIENT COMMUNITIES AND CITIES — Creating vibrant and resilient communities and cities
- HEALTHY PLANET AND PEOPLE — Fostering a healthy planet and healthy people

Environmental Focus Area

- RESOURCES AND MATERIALS — Conserving natural resources and selecting sustainably sourced materials
- CLIMATE ACTION — Adapting to and doing our part to mitigate climate change
- NATURE AND POLLUTION — Protecting and restoring the natural environment

Social Focus Area

- ECONOMIC PROSPERITY — Generating prosperity for the communities we impact
- COMMUNITY INCLUSION — Creating thriving communities resilient to climate change, rich with culture and context with a place for all
- WELLBEING — Supporting and enhancing people's physical and mental wellbeing

Sustainability

Building stronger communities

● Communities are strong when the people living in them are safe, belong and have opportunities to participate.

Long-term relationships for meaningful change

Springboard is Lendlease Foundation's global program investing in the wellbeing of our people, communities and the planet.

It's an innovative five-day residential program that each year brings together about 250 Lendlease employees from around the world to find new ways to make a difference to a local community. The program is held in the same community for four years so we can form long-term relationships.

In FY19, our Springboard program relocated to Yeppoon on the Capricorn Coast in Queensland, enabling us to leverage our partnership with the Great Barrier Reef Foundation. Our aim is to learn about threats to the southern region of the Great Barrier Reef and about the conservation, cultural and ecological practices of the region's traditional owners.

Our people are working with local groups including the Darumbal and Woppaburra people and the Great Barrier Reef Marine Park Authority to build economic sustainability, for example by providing training and enhancing local facilities.

By FY23, we estimate 1,000 Lendlease people will have made a connection and be inspired by these local communities to tackle challenges in their own communities.



Creating economic opportunities



BeOnsite celebrates a decade of creating sustainable job opportunities.

Skills and jobs for the disadvantaged

Across our projects we look to provide skills and employment opportunities for people who need them most.

In FY19, our UK not-for-profit organisation, BeOnsite, celebrated its 10th anniversary. It's helped skill and employ scores of people. In FY19, we entered into a partnership with Italian authorities for a program called 2121, with the aim to provide prisoners with training and future job opportunities.

In FY19, we partnered with CareerSeekers, a not-for-profit supporting Australia's humanitarian entrants into professional careers. We placed 24 people into jobs. This partnership complements Lendlease's long running engagement with CareerTrackers, a not-for-profit supporting Indigenous university students.

In FY19, we signed a Memorandum of Understanding with the Chicago Cook Workforce Partnership (CCWP), the largest workforce development system in the US, to remove hurdles for disadvantaged people looking to enter the construction industry. Through this partnership, which includes a special fund, we can provide people with access to transport, childcare and the tools needed to start a new role.

Celebrating culture and working towards reconciliation

In Australia, our commitment to reconciliation is demonstrated and guided by our Reconciliation Action Plan (RAP) – a framework for Lendlease to realise our vision for reconciliation, certified by Reconciliation Australia. Lendlease operates at Reconciliation Australia's highest level, RAP Elevate, which recognises companies with a proven track record and that want to lead.

During National Reconciliation Week 2019, Lendlease joined some of Australia's largest companies that have Elevate RAPs to support the Uluru Statement from the Heart and its call to establish a First Nations voice in the Australian Constitution.

While our second and current RAP is dated 2016 – 2018, we continue to deliver on the plan and its goals. We are now working with Reconciliation Australia to review and measure our progress and develop our next plan.



RAP in action

Providing cultural awareness and engagement learning opportunities for Lendlease employees	**5,200** Lendlease employees in Australia have completed face to face or online cultural awareness learning since FY12	**63%** Of Lendlease Board members have had an On Country learning experience
Increasing the number of Aboriginal and Torres Strait Islander people directly employed by Lendlease	**2%** Of Lendlease employees self identify as Indigenous Australians (approximately)	**112** Indigenous university interns hosted by Lendlease through our partnership with CareerTrackers since FY12
Increasing procurement activity with Aboriginal and Torres Strait Islander businesses	**110** Supply Nations Businesses engaged (registered and certified Indigenous Businesses)	**$45.3m** Spent in FY19 with registered and certified Indigenous businesses

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Sustainability

Climate-related risk

● Task Force on Climate-related Financial Disclosure (TCFD) aligned summary of our current and future climate-related disclosures.

	Where we are today	Priorities to 2021
Governance	• Board oversight: engagement through Sustainability Committee three times per year • Management's role: engagement through Quarterly Business Review (QBR) processes • Working committees: TCFD Steering Committee and Global Sustainability Leadership Team updates	• Continue to strengthen and improve climate risk governance
Strategy	• Updated Sustainability Framework • Four Lendlease climate scenarios created for scenario planning (see below)	• Stress test business strategies using four climate scenarios • Identify risks and opportunities for each scenario • Set metrics and targets relevant to business outcomes • Engage with stakeholders across our value chain
Risk management	• Climate-related risks integrated into Risk Committee • Climate-related risks integrated into Group Risk Appetite Framework • Acute physical risk analysis undertaken across portfolios • Shadow price on carbon integrated into Investment Committee investment decisions – $20USD/Tonne in 2020, rising to $100USD/Tonne in 2030 and $140USD/Tonne by 2040	• Continue to integrate climate-related risks into our Risk Management Framework • Continue analysis of physical and transitional supply chain and market risks • Disclosure of climate-related financial impacts
Metrics and targets	• In 2014, we set 20% by 2020 targets for energy, water and waste on an intensity basis. We disclose our annual scope 1 and 2 carbon emissions on our website In FY20, we will embark on a process to co-design the new beyond 2020 metrics and targets with each of our businesses. The targets will be related to our new Sustainability Framework and informed by our TCFD scenario planning activities. **15%**[1] Reduction in emissions intensity in FY18 from FY14 — Our investment management business has reduced gross carbon emissions over the last five years whilst increasing floor area. The result is a 15 per cent reduction in emissions intensity on emissions per floor area. **27%**[2] Increase in gross emissions in FY18 from FY14 — Our construction business has seen an increase in gross carbon emissions in FY18. The increase in emissions can be attributed to increased construction activity in general as well as an increase in tunnelling activities.	
Lendlease climate scenarios	Our climate scenarios have been created to test our business strategies, align with our Sustainability Framework, respond to key trends and our vision to create the best places. Details of the references and models that were used to create our scenarios will be made available on our website together with how we see each scenario playing out over the coming decades. >4°C **Resignation** — Resources and efforts solely focused on adaptation and survival 3-4°C **Polarisation** — National self-interest prioritises local adaptation over multi-lateral action 2-3°C **Paris alignment** — Multi-lateral government climate regulation from the Paris Agreement <2°C **Transformation** — Collective self-limitation and sharing of resources enable a just zero transition	

1. Overall reported reduction in intensity for all Assets undermanagement globally. **2.** Gross increase in reported emissions for all Construction Projects and auxiliary offices globally.

Lendlease Australia going carbon neutral

Rooftop solar panels at Barangaroo South, Sydney.



In FY18, Lendlease committed to the recommendations of the TCFD and commenced analysis into the impact of different climate scenarios on our business strategy.

Research on future climate scenarios and market forces shows a clear need for us to continue to strengthen efforts to decarbonise our work across all stages of the property cycle: investment, development, procurement, construction, operation and end of life.

In Australia, 47 Lendlease office and industrial assets, representing more than $12 billion under management, have signed commitments to be carbon neutral before or by 2025, with the remaining retail assets in Australia targeting 2030. Combined, this represents approximately 20 per cent of Lendlease's total annual emissions (based on FY18 emission profile).

Our Australian Construction business took serious steps to address construction-related emissions. Site sustainability standards were used to reduce emissions including the use of efficient appliances, solar hybrid generators and electric cranes. The business will now tackle emissions from liquid fuels like diesel.

All remaining emissions in FY19 have been offset, making Lendlease's Australian Construction business a carbon neutral construction service provider.

Supporting supplier manufacturing innovation

Embodied emissions in cement, iron and steel account for nine per cent of global emissions and are considered some of the most difficult materials to decarbonise. Future work will see Lendlease work alongside clients and suppliers to focus on reducing emissions created during manufacture.

Leading the uptake of low carbon material options, and supporting supplier innovation in low carbon manufacturing techniques, is an important step in building business resilience across our supply chain.

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5 Risk

Our approach recognises the nature and level of risk we are willing to accept to achieve our strategic goals and key performance targets to create securityholder value.

It focuses on aligning Board and management to drive informed and consistent decisions, achieving effective and efficient allocation of capital and resources, providing an understanding of risk limits, providing context to identify, report and manage risks, and creating a culture of risk awareness and accountability.

Structure

Board Risk and Audit Committees

Review the effectiveness of the Group's enterprise risk management system and seek assurances that material risks are identified and appropriate risk management processes in place.

Group risk function

Liaises with regional CEOs and risk specialists on business-specific and enterprise-wide risks in order to assist the Group's businesses to further develop their risk management processes.

Internal audit

Formal processes provide supplementary assurance to operational businesses.

External audit

Formal independent regular reviews.

Policy and procedure

Board approval process

The Board has matters that are reserved for its determination under the risk appetite of Lendlease, and further, under the Limits of Authority. The Board approval process is set up so decisions and commitments of a predetermined magnitude require express Board approval, thereby supporting sound governance and continued alignment with strategy.

Investment committees

Investment committees are in place at regional and Group levels in order to assess and approve potential projects/commitments.

Limits of Authority

Limits of Authority are in place to outline matters that are specifically reserved for determination by the Board and those matters that are delegated to management.

Risk tools

Risk management platform

Lendlease uses a risk management platform throughout all our regions to allow consistent risk identification and assessment.

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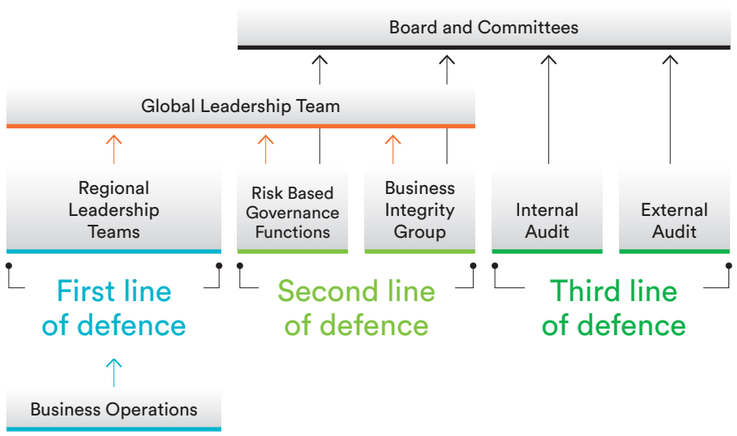
Risk governance and management

Specific examples of how risk governance and management have evolved in the reporting period include the implementation of some granular risk appetite principles and tolerances in areas of risk where value is known to erode. These focus on areas such as latent conditions, contamination and existing structural risk. Further developments of risk appetite will continue to evolve in other granular areas of our enterprise risks.

In addition, each region of Lendlease has a directly appointed 'Voice of Risk' executive who is part of each Regional Leadership Team.

Importantly, these individuals do not have P&L accountability, nor are they part of the risk function. They are independent and are mandated to challenge both the business and the risk function on genuine matters of strategic, tactical and operational risk.

Three lines of defence



First line of defence – responsibilities

Identify › Assess › Control and Manage › Monitor › Report

Individual business units are the first line of defence responsible for identifying, managing and owning their risks. These business units have the appropriate tools and interaction with the various Group functions to execute business responsibilities effectively.

Stage Gates. Across our property and construction operations, the conversion and delivery of projects is governed by a number of 'gates' utilising proprietary and in-house developed systems, as follows: **Business development pipeline.** 1. Project go/no go. **Protect conversion process.** 2. Commit to pursuit costs. 3. Authority to submit to customers. **Submit proposal.** 4. Changes to initial proposal. **Execute contract.** 5. Authorisation to proceed. **Delivery.** 6. Regular project reviews. **Review lessons learnt.** 7 Implement for new projects. Stage gates are underpinned by business unit milestone views/health checks and portfolio reviews during delivery.

Second line of defence – assurance measures

Inform › Plan › Oversee › Guide › Report

Group functions involved in the second line of defence include corporate risk and insurance, operational assurance and performance, safety, legal, information technology, sustainability, people and culture, and finance. Function-specific policies outline the assurance measures to enable each business to identify and manage risks appropriately

Third line of defence – independent processes

Assess › Plan › Execute › Report › Follow up

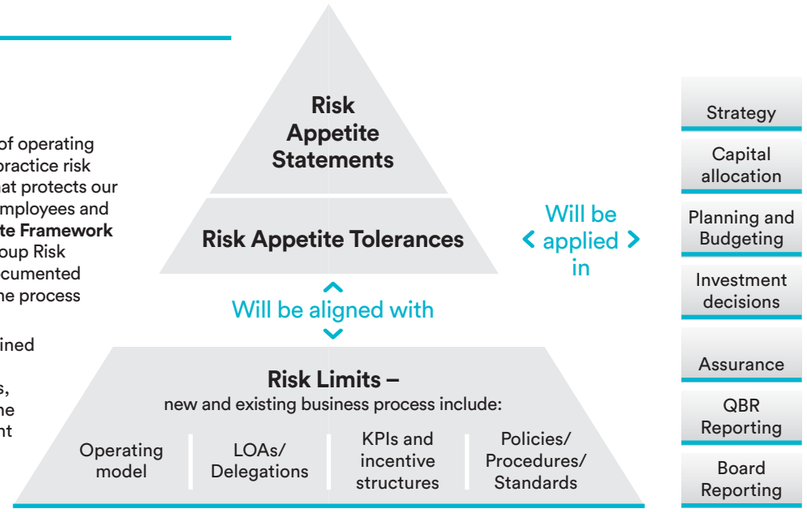
Internal and external audit make up the third line of defence, acting independently from the first and second lines of defence and reporting directly to the Board and Risk and Audit Committees.

Risk Appetite Framework

Introduction

Lendlease recognises the importance of operating our business in accordance with best practice risk management principles in a manner that protects our clients and customers, stakeholders, employees and corporate reputation. The **Risk Appetite Framework** forms a key part of the overarching Group Risk Framework and aligns with existing documented processes summarised below. It is in the process of being embedded into Lendlease.

The risk appetite and tolerances outlined here is being implemented through strategy, capital allocation, approvals, policies, and Limits of Authority. In the event of an inconsistency, the relevant functional or business unit lead should be consulted.



Purpose

The purpose of the Risk Appetite Framework is to set clear boundaries[1] for the organisation and its employees, approved by the Board within which all business activities must be carried out. It assists in:

- Maintaining alignment amongst the Board and management to drive more informed and consistent decision making within approved limits and guardrails[2]
- Effectively allocating capital and resources to projects within these guardrails and therefore are more likely to be approved by management and the Board
- Providing a clear understanding of risk limits where there is zero tolerance and where specialist approvals and endorsements are required to mitigate risks
- Providing a mechanism for identifying, managing, and reporting on risks through the lifecycle of projects and investments
- Providing an appropriate avenue for the 'Voice of Risk' to be heard, and a culture of proactive risk management to be embedded, within all levels of the organisation.

The Risk Appetite Framework comprises two parts: a **Risk Appetite Statement** and clear **Risk Tolerances**.

A Risk Appetite Statement is "the amount of risk that an organisation is willing to seek or accept in the pursuit of its long-term objectives"[3]. It defines at a high level, the expectations of management and the Board regarding the nature and extent of risks the Group is willing to take in pursuit of its strategy and associated portfolio management objectives and is expected to be aligned with and further enforced through Lendlease's:

- Values
- Limits of Authority
- Code of Conduct
- Policies and procedures

The second part of the Framework outlines Lendlease's Risk Tolerances. These provide guardrails that will assist in ensuring that decision making and review processes are aligned with the organisation's appetite for risk.

The risks outlined in this document are intended to be assessed as residual risks, rather than inherent risks, for example, it should be assumed that standard Lendlease controls have been applied before assessing the risk appetite or tolerance.

Continuous Improvement

The Risk Appetite Framework is reviewed annually by the Group Chief Risk Officer and approved by the Lendlease Risk Committee of the Lendlease Board. Any changes outside of the annual review cycle that encompass the addition of new statements and measures are reviewed and approved by the Board Risk Committee.

Changes that do not materially alter the statement, intent or measure, such as minor working amendments to remove ambiguity or improve clarity can be reviewed and approved by the Group Chief Risk Officer.

Application

This Risk Appetite Framework applies to Lendlease Corporation Limited and Lendlease Trust and each of their subsidiary entities in each region.

Lendlease has no tolerance for employees operating outside of the risk appetite and risk tolerances without the required approval.

1. Boundaries are the limits of risk taking, outside of which the organisation is not prepared to venture in the pursuit of its long-term objectives. **2.** Guardrails provide clarity in decision making and review processes so that these are aligned with the organisation's appetite for risk. **3.** Institute of Risk Management – Risk Appetite and Tolerance Guidance Paper (2011).

Key risks and mitigation

	Description	Mitigation	The value we create
Health, Safety and Wellbeing	Failure to provide an environment which promotes health, safety and wellbeing impacts our ability to achieve our corporate and social responsibilities	We are committed to the health, safety and wellbeing of our people. Through our Global Minimum Requirements (GMRs), which include both physical safety and health and wellbeing, we empower our people to operate in a consistent standard across all our operations.	
Disruption	Responsiveness to disruption, including digital disruption as well as other new methods and materials emerging in the investment, development and construction sectors	With the increasing dependence on technology, our strategic intent aims to turn disruption into an opportunity by creating a culture that fosters innovation and focuses on adopting leading edge technologies, to deliver innovative solutions and generate a competitive point of difference.	
Commercial	Commercial performance fails to meet our corporate objectives	Our capital deployment guidelines mitigate risk and improve performance. Quarterly business reviews assess business operations against approved strategy to drive consistent, focused and risk assessed investment decisions.	
Execution	Failure to execute strategy or projects affects our ability to meet our corporate objectives	Our risk management approach and use of stage gates across our property and construction operations, which is articulated earlier in this section, contribute to the mitigation of execution risk. To inform our investment decisions, we use internal research to develop a 'house view' of property cycles in every region and the strength of our gateway cities.	
Geopolitical	Global and local events or shifts in government policy occur in the regions in which we operate, adversely impacting our ability to achieve strategic objectives. Failure to adequately understand governments' mandates, expectations and performance standards	We are committed to growing our business in sectors that are supported by positive global trends. We are sensitive to geopolitical shifts and concentration risk and coordinate our approach to government in all regions to mitigate against sovereign risk.	
Regulatory and Counterparty	• Non-compliance with regulatory and policy requirements by Lendlease or our clients/suppliers • Client, investor or supply chain ethics fail to meet Lendlease standards • Failure to adequately select, govern and drive value from counterparties • Failure to comply with government regulations impacts our ability to access government opportunities	To further improve our culture of compliance, we focus on aligning business priorities with the necessary compliance and assurance measures. We are focused on maintaining an ethical supply chain to ameliorate the risk of material substitution and modern slavery. We have an appetite for relationships with parties who are aligned with our values.	
Corporate Culture	Failure to create and maintain culture which supports Lendlease's core behaviours, principles and values to drive disciplined strategy execution	Our values drive our approach to business and delivery of long-term value. We empower our people to make business decisions that are aligned to our core values and behaviours, principles, and five areas of value creation. To provide a 'voice of risk', we have separate reporting routes outside of those who can influence risk issues through optimism bias.	
Cyber/Data Governance/ Asset Protection	Failure of cyber resilience and defence systems. Leakage, misappropriation or unauthorised storage of data. Unauthorised control of systems and physical asset infrastructure (i.e. lifts, security, air conditioning)	Physical and data security continue to be key focus areas globally. We invest in preventative technology and education of employees to achieve a sustainable security culture.	
Customer	Loss of existing client (including government) relationships, or inability to tailor services to future clients' needs, impacting Lendlease's financial objectives	Bid leadership training of key employees reinforces understanding of customers' requirements. Recurrent client survey feedback informs our business strategy. A single platform assists in customer data security and aligns customer service across all regions.	
Non-scalable Growth	• People: inability to attract, retain and upskill key talent necessary to deliver strategic objectives • Process: lack of scalable processes to support predictable growth	To deliver the desired level of performance, we continue to invest in growing our core capabilities through active talent management and targeted professional employee development to attract, retain and grow the best people. Our processes are designed to be consistent, scalable and effective.	
Corporate and Environmental Sustainability	Failure to comply with regulatory, societal and investor expectations of corporate and environmental sustainability such as climate change and social responsibility	We are committed to creating the best places and optimising our corporate and environmental sustainability performance (including climate change and social responsibility) through our Sustainability Framework and integrating sustainability considerations into our business strategies. We continually increase engagement through training programs to promote sustainable behaviours in the organisation globally. We have endorsed the TCFD recommendations on climate change and have begun reporting Lendlease's resilience to the changes in both policies and the physical environment.	
Business Continuity	Failure to properly plan for and/or appropriately respond to events which may disrupt Lendlease's business	To achieve organisational resilience, we are committed to operating in a way that supports our ability to respond to threats and disasters without affecting our core business operations. We continue to invest in learning and development of our people to better prepare them in the event of disruption through training programs and various threat scenario simulations to stress test the plan.	

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Performance and Outlook

Official preview of Park Place Residences at Paya Lebar Quarter (PLQ)

Phase 2 Singapore's PLQ is a centrally located mixed-use development and a key catalyst of the Urban Redevelopment Authority's masterplan to regenerate Paya Lebar. In FY19 we completed the office precinct at PLQ.

Group highlights

It was a challenging year for the Group with Profit after Tax of $467 million or 82.4 cents per security for the year ended 30 June 2019. The distribution per security was 42.0 cents. The Group's core business, excluding Engineering and Services, had a solid year with Earnings per Security of 141.8 cents and a Return on Equity of 12.8 per cent.

Following underperformance in the Engineering and Services business, a comprehensive strategic review was undertaken during the year. The decision was made that the business is non core and would be separated from the Group. It has been reported in the Directors' Report, including the Performance and Outlook section on this basis.

The non core Engineering and Services business recorded an EBITDA loss of $461 million, including a $500 million provision for underperforming projects that was brought to account in the first half.

To maximise securityholder value over the long term, the Group will focus on its proven integrated capabilities across Development, Construction and Investments. The core business that operates across these segments performed well in the year.

Core operating EBITDA was $1,493 million, with the Development, Construction and Investments segments delivering solid returns in line with portfolio targets. However, returns were down on the prior year when each segment outperformed its respective target returns.

Strong apartment earnings, particularly at Darling Square in Sydney, underpinned the Development result. The office precinct at Paya Lebar Quarter completed during the year and a new residential investment partnership was formed in the US.

In Construction, margins were down in both Australia and the Americas, while Europe delivered an improved performance with both revenue and margin up strongly on the prior year. New work secured was strong with diversity by client, sector and geography.

In Investments, the Retirement Living business delivered an improvement in resales across the portfolio. Solid investment income and asset value appreciation was derived from co-investment positions. Fee income was also higher, driven by growth in funds under management and strong performance across the asset management businesses.

Group Services costs of $140 million were unchanged from the prior year. The Group continues to focus on underlying expense management, with ongoing investment in productivity and efficiency initiatives. Depreciation and amortisation was higher, reflecting investment in technology and systems and Property Plant and Equipment.

Net finance costs of $125 million were up substantially on the prior year given the higher level of financing activity and higher average net debt during the year.

Net debt ended the period at approximately $1.4 billion, which was up from $1.2 billion in the prior year, however down materially from $2.3 billion at the half year. The average cost of debt declined from 4.8 per cent to 4.0 per cent during the year. Average debt maturity improved to 4.8 years. The Group has no material debt expiries until FY22.

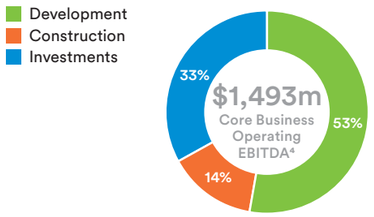
Underlying Operating Cash Flow was $316 million. Over the five years to FY19, the cash conversion ratio was 85 per cent. A lower ratio in FY19 of 36 per cent reflected the impact of pre-sold apartment revenue collected in prior periods (through the PLLACes program). This resulted in EBITDA related to some pre-sold apartment revenue being recognised without the associated operating cash flow.

Maintaining an optimal capital structure, an important component of the Portfolio Management Framework, is critical in maximising securityholder value. The three per cent reduction in the weighted average number of securities on issue in FY19 was a result of the on market buyback that was active between March and December 2018.

Key Financials

		FY18	FY19	Var.
Core Business				
Revenue[1]	$m	13,288	13,414	1%
Development EBITDA	$m	673	793	18%
Construction EBITDA	$m	296	211	(29%)
Investments EBITDA	$m	669	489	(27%)
Operating EBITDA	**$m**	**1,638**	**1,493**	**(9%)**
Corporate EBITDA	$m	(175)	(165)	6%
Group EBITDA	**$m**	**1,463**	**1,328**	**(9%)**
Profit after Tax	**$m**	**960**	**804**	**(16%)**
Non Core				
Revenue[1]	$m	3,284	3,141	(4%)
EBITDA	**$m**	**(218)**	**(461)**	**(111%)**
Profit/(Loss) after Tax	**$m**	**(167)**	**(337)**	**(102%)**
Total Group				
Revenue[1]	$m	16,572	16,555	-
EBITDA	**$m**	**1,245**	**867**	**(30%)**
Profit after Tax	**$m**	**793**	**467**	**(41%)**
Underlying Operating Cash Flow[2]	$m	913	316	(65%)
Net Assets	$m	6,414	6,357	(1%)
Net Debt	$m	1,182	1,425	21%
Effective Tax Rate[3]	%	25.6	24.7	(4%)
Earnings per Security	cents	136.1	82.4	(39%)
Distribution per Security	cents	69.0	42.0	(39%)
Weighted avg Securities	no.(m)	583	567	(3%)

Core Business EBITDA Mix



Core Business Profit after Tax

FY18 $960m FY19 $804m

Core Business Return on Equity

FY18 15.3% FY19 12.8%

Core Business Earnings per Security

FY18 164.7¢ FY19 141.8¢

1. Includes finance revenue. **2.** Underlying Operating Cash Flow is derived by adjusting statutory cash flows to better reflect the operating cash generated by the Group from its operating model. **3.** Lendlease's approach to tax is outlined in the 2019 Tax Report (https://www.lendlease.com/au/investor-centre/distribution-and-tax/). Details on tax balances are included within the Consolidated Financial Statements. **4.** Excludes Corporate.

Portfolio Management Framework

The Portfolio Management Framework was revised at HY19 to reflect the decision that the Engineering and Services business was non core and the reclassification of internal construction margin to Development for the FY19 results and beyond. The framework is designed to maximise long-term securityholder value via: a diversified risk adjusted portfolio; leveraging the integrated model; optimising the business on a long-term basis; and providing financial strength to execute our strategy.

Group returns were adversely impacted by the underperformance in Engineering. However, returns for the core business were solid: Development at the mid-point of target range; the Construction margin within target range; and Investments at the top of the target range. The dividend payout ratio was at the mid-point of the target range.

The Group remains in a strong financial position with gearing at the bottom of the target range. The balance sheet remains resilient with total liquidity improving to $3.9 billion.

The segment invested capital mix continues to be weighted towards Development, reflecting the significant amount of development activity and the reduction in the Group's investment in the office precinct at Barangaroo. This divestment, along with the continued implementation of our international gateway cities strategy, resulted in a reduced capital allocation to Australia.

The target earnings mix contribution from the Construction segment has been reduced. The Construction EBITDA margin target has been lowered to account for the exclusion of Engineering and Services. The Development ROIC target range has been raised by one percentage point to reflect that construction margin on integrated projects, previously reported in Construction, is now recognised as part of the Development segment.

Portfolio Management Framework

	Target[1]	FY18	FY19
Total Group Metrics			
Return on Equity	10-14%	12.7%	7.4%
Dividend payout ratio	40-60%	50%	51%
Gearing	10-20%[2]	8.2%	9.9%
Core Business EBITDA Mix			
Development	40-50%	41%	53%
Construction	10-20%	18%	14%
Investments	35-45%	41%	33%
Core Business Segment Returns			
Development ROIC[3]	10-13%[4]	13.4%	11.6%
Construction EBITDA margin	2-3%	3.1%	2.2%
Investments ROIC[3]	8-11%[4]	15.5%	10.8%
Segment Invested Capital Mix			
Development	40-60%	57%	57%
Investments	40-60%	43%	43%
Regional Invested Capital Mix			
Australia	50-70%	59%	45%
Asia	5-20%	12%	15%
Europe	5-20%	16%	22%
Americas	5-20%	13%	18%

Group outlook

Despite a challenging period, the competitive advantage of the integrated business model was solidified during the year with strong growth in the urbanisation pipeline and funds under management, along with several new capital partner initiatives. Earnings visibility remains high, supported by the growing urbanisation pipeline that is diversified by both geography and sector.

A formal sale process has commenced to separate the Engineering and Services business following a comprehensive strategic review completed during the year.

The development pipeline has grown significantly with the Group's focus on urbanisation in targeted gateway cities. Three major urbanisation projects were added to the pipeline during the year in Sydney, Chicago and Milan. Post balance date we secured an urbanisation project in the San Francisco Bay Area. These four projects have a combined development end value of approximately $27 billion.

Funds under management rose by 17 per cent on the prior year to $35.2 billion. The development pipeline and our delivery capability support future growth potential. The Investments segment is well placed to continue to deliver a solid base of recurring earnings through both the operating platform and $3.7 billion in investment positions.

The Group is focused on the delivery of our urbanisation portfolio and on leveraging the competitive advantage of the integrated model. The current portfolio, including the post balance date San Francisco Bay Area project, of 21 urbanisation projects across 10 gateway cities provides a strong platform to deliver enhanced risk adjusted returns to our securityholders over the long term.

$76.1b

Development Pipeline[5]



$15.6b

Core Business Construction Backlog



$35.2b

Funds Under Management



1. Targets for EBITDA mix, Development ROIC and Construction EBITDA margin were revised at HY19 following the decision that the Engineering and Services business is no longer a required part of the Group's strategy and following reclassification of internal construction margin to the Development segment. **2.** Review of capital structure underway to reflect change in business mix. **3.** Return on Invested Capital (ROIC) is calculated using the annual Profit after Tax divided by the arithmetic average of beginning, half and year end invested capital. **4.** Through-cycle target based on rolling three to five year timeline. **5.** Remaining estimated development end value, excludes the San Francisco Bay Area project.

Lendlease Group Financial Statements

Development performance

The Development segment delivered EBITDA of $793 million, up 18 per cent on the prior year. The segment accounted for 53 per cent of Group core operating EBITDA. The Return on Invested Capital of 11.6 per cent was at the mid-point of the target range, with Invested Capital ending the year at $4.8 billion. Strong apartment earnings across a range of urbanisation projects underpinned the result.

Our operations in Asia and the Americas made substantive contributions to earnings. Asia delivered EBITDA of $121 million and the Americas generated $79 million, compared to modest contributions in the prior year.

There were 1,623 residential for sale apartment settlements in the year, up significantly on the 1,314 completions in the prior year. Darling Square, Sydney; Victoria Harbour, Melbourne; and Elephant Park, London accounted for the large majority of these settlements. In addition, the Group completed its first ever residential for rent apartment building, The Cooper at Southbank in Chicago.

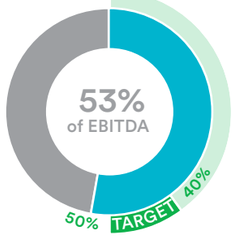
Paya Lebar Quarter is taking shape as one of the largest business and lifestyle precincts in Singapore. The office precinct, which accounts for more than half of the project's end value, completed during the year. The retail and residential components are scheduled to complete in FY20.

In the Americas, a new residential investment partnership was secured with First State Super (FSS) for a US$1 billion equity commitment. The Cooper at Southbank is the partnership's first completed asset, while two buildings at Clippership Wharf in Boston are in delivery and expected to complete in FY20.

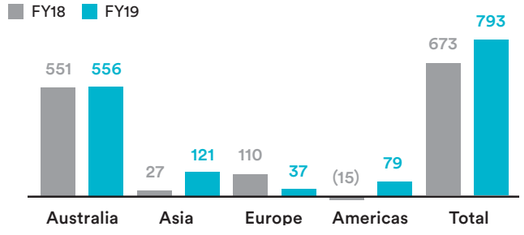
Three new major urbanisation projects with a combined estimated end value of approximately $7 billion were secured. Victoria Cross in Sydney is an integrated station development project anchored by an office tower with an estimated end value of $1.1 billion. Lakeshore East in Chicago is a residential scheme comprising approximately 1,200 units, a mix of rental and for sale apartments, with an estimated end value of $2.1 billion. The first phase of this project will be delivered via the new investment partnership with FSS. Milan Innovation District, the site of World Expo 2015, is a mixed-use development with an estimated end value of $3.6 billion.

There were 2,523 land lot settlements across the Communities portfolio, below our target range. The 2,377 lots in Australia reflect subdued market conditions, including tighter credit markets which have impacted both sales and settlements. The Horizon project in Colorado in the United States entered delivery, achieving 146 settlements in the year.

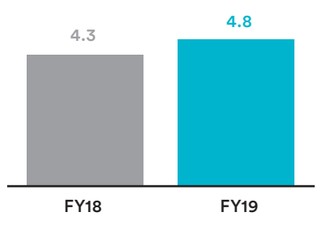
Core Business EBITDA Mix



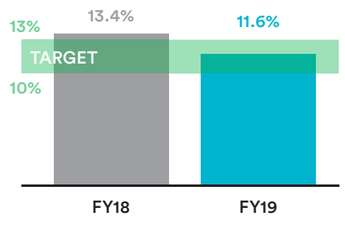
EBITDA by Region ($m)



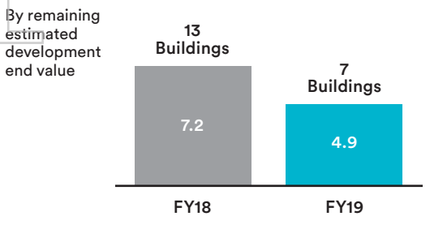
Invested Capital[1] ($b)



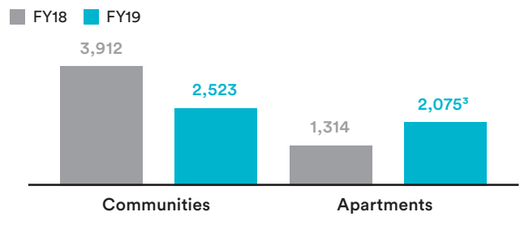
Return on Invested Capital



Commercial Buildings in Delivery ($b)



Residential Settlements[2] (Units)



1. Securityholder equity plus net debt. **2.** On adoption of AASB 15 from 1 July 2018, the recognition point of revenue (and associated units) on residential for sale development properties changed to settlement in Australia, Europe and Americas. Prior to the adoption of AASB 15, the recognition point of revenue (and associated units) was aligned with practical completion. **3.** Settlements on residential for rent apartments are aligned with practical completion. Includes 452 apartments for rent which completed in FY19.

Development outlook

The total development pipeline is approaching $100 billion following the addition of the San Francisco Bay Area project, secured post balance date. As at 30 June, the estimated end value of the pipeline was $76.1 billion, up seven per cent on the prior year. The pipeline comprises $61.2 billion of urbanisation projects and $14.7 billion of Communities projects. Diversification by geography and sector is expected to provide resilience through market cycles.

During the year, three major urbanisation projects were added to the pipeline. Darling Square in Sydney reached completion, marking the culmination of almost a decade of development in the Darling Harbour precinct with approximately $4.7 billion of product delivered.

Post balance date, the Group secured a project to develop three mixed-use communities in the San Francisco Bay Area in conjunction with Google. The predominantly residential led scheme, with an end value of approximately $20 billion, will deliver more than 15,000 new homes over a 10-15 year timeframe.

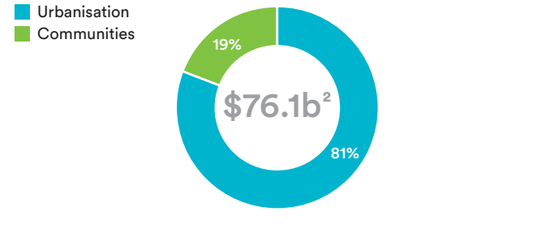
Lendlease was also announced as preferred development partner on two urbanisation projects in the UK during FY19. The $14.5 billion Thamesmead Waterfront development in London and the $2.7 billion Birmingham Smithfield project. These projects are not currently included in the pipeline.

The origination focus in recent years has centred on our international gateway cities, which now account for three-quarters of the urbanisation pipeline. As these projects progress through planning and into delivery, we expect a greater contribution to the Group earnings from these global cities.

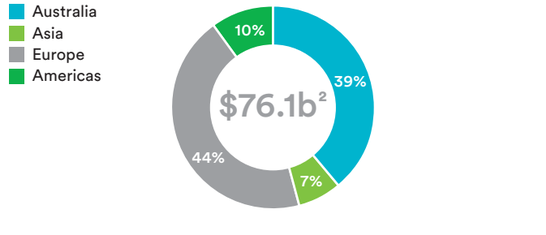
The Communities pipeline consists of c.50,000 lots, providing more than a decade of supply based on the 3,000 to 4,000 targeted settlements per annum. Due to current softer market conditions, the target is expected to be challenging in the near term.

The strong growth in the pipeline provides scope for a substantial increase in the rate of delivery. In the last five years, the urbanisation pipeline has risen from $25 billion to approximately $80 billion, including the San Francisco Bay Area project secured post balance date. We expect this to result in an acceleration in the delivery of urbanisation product completed over time.

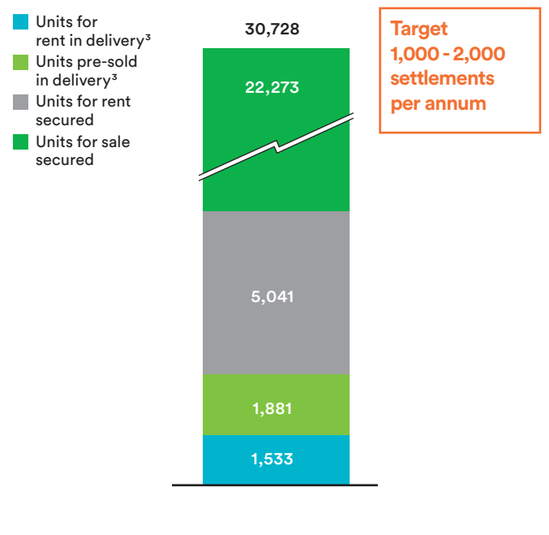
Pipeline[1] by Product



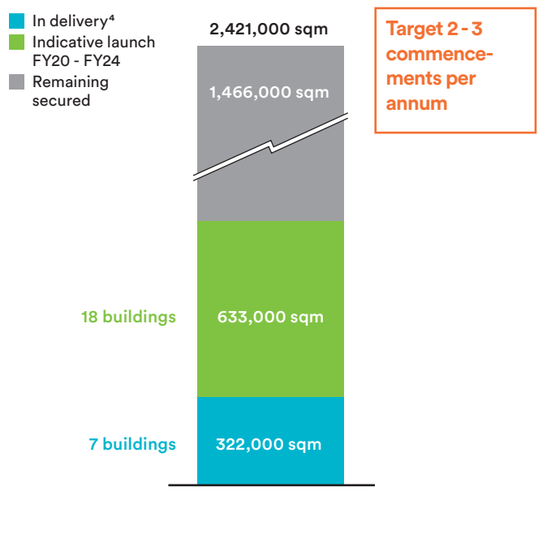
Pipeline[1] by Region



Apartment Profile (Units)



Commercial Profile



1. Remaining estimated development end value. **2.** Includes $0.2 billion of Infrastructure pipeline. **3.** Major apartment buildings in delivery only. **4.** Major commercial buildings in delivery only.

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Core Construction performance

The Construction segment delivered EBITDA of $211 million. The EBITDA margin of 2.2 per cent was in line with the 2-3 per cent target range; however, it was down on the prior year driven by lower margins in Australia and the Americas.

During the year, the decision was made to recognise internal construction margin on integrated projects through the Development segment. Earnings derived from the construction of buildings on integrated projects are now reported in the Development segment. This approach better reflects the returns we generate on our urbanisation projects through the integrated model.

Australia delivered strong revenue growth of eight per cent to $4.1 billion, resulting in EBITDA of $126 million at a margin of 3.1 per cent. The margin over the last five years has averaged approximately four per cent, with the FY19 margin impacted by the revenue mix.

Projects completed during the year included the Bankwest Stadium, the Sunshine Plaza redevelopment, the University of Melbourne Conservatorium of Music and apartment developments at our urbanisation projects.

New work secured in Australia of $4.5 billion included the building components of Sydney Metro Martin Place and Victoria Cross integrated station developments, Gold Coast Airport Southern Terminal Expansion, Stage 2 Garden Island Critical Works Delivery Phase and Melbourne Park Redevelopment Stage 3.

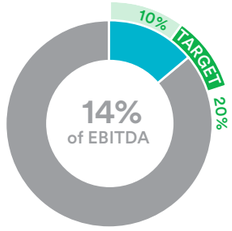
Revenue from the Americas was down nine per cent to $4.3 billion, reflecting weaker activity in Los Angeles and Chicago, two of our five target gateway cities in the US. EBITDA of $46 million and margin of 1.1 per cent were down on the prior year, impacted by the reduced operating leverage from lower activity.

New work secured of $3.7 billion was broadly flat in local currency terms. There was diversity by client, city and sector including apartment building contracts that reinforce our leadership position in high rise residential construction in our target markets.

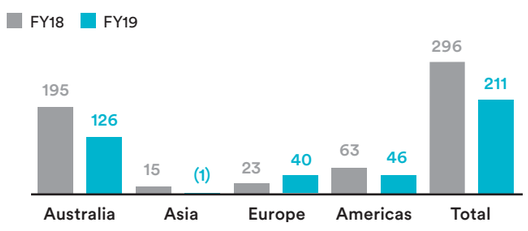
Europe delivered an improved performance with both revenue and margin up strongly on the prior year. EBITDA was supported by some higher margin construction management projects and accelerated activity from a lower base in FY18. Perry Barr Residential Scheme was a key new contract secured in the year.

Asia continues to focus on the delivery of the internal development pipeline, with the internal margin on those projects now reported through the Development segment.

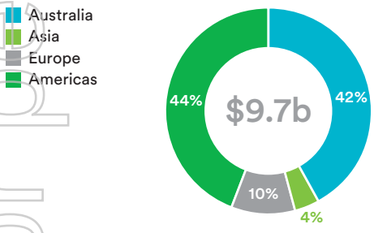
Core Business EBITDA Mix



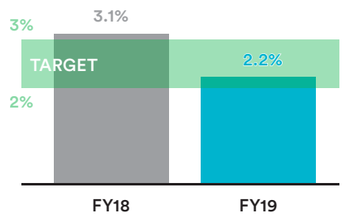
EBITDA by Region ($m)



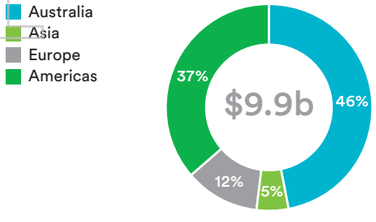
Revenue by Region



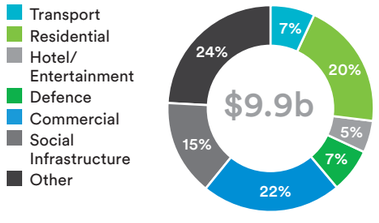
EBITDA Margin



New Work Secured by Region



New Work Secured by Sector



Core Construction outlook

The outlook for the Construction segment is solid, with backlog revenue of $15.6 billion, including new work secured in the year of $9.9 billion. Approximately 80 per cent of this backlog will generate future revenue and margin for the Construction segment, with margin on the remainder that is derived from integrated projects, to be reported through the Development segment.

The backlog is well diversified across multiple geographies, sectors and clients. Key sectors include residential, commercial and defence.

Australia has a significant pipeline of work, with $6.9 billion in backlog revenue. Key projects include several Defence contracts, the Crown Sydney Hotel Resort, and Sydney Metro Martin Place and Victoria Cross integrated station developments.

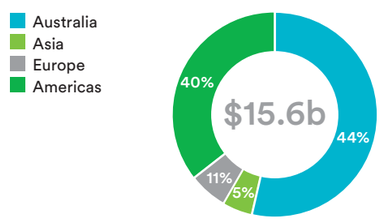
In the Americas, the established Construction business has a strong market share in its target cities and sectors, with a backlog of $6.2 billion including the integrated pipeline which is in delivery. The significant growth in the urbanisation pipeline in the region, from zero in FY14 to the current level of approximately $28 billion, including the post balance date San Francisco Bay Area project, provides substantial opportunities for future construction backlog.

The $1.7 billion backlog in Europe provides a stable base of work for the coming year. The large development pipeline in Europe will provide a significant amount of construction work in coming years. The Asian business will continue to focus predominantly on the internal development pipeline, while also continuing to specialise in niche sectors for external clients.

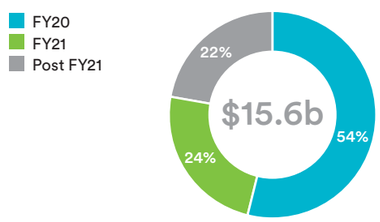
Beyond the current backlog position, there is approximately $9 billion of work for which the Group is in a preferred position, across both external and integrated projects. The business is well placed to convert a significant proportion of this preferred work into backlog revenue over coming periods.

The design and delivery capability for built form on our urbanisation projects is a critical component of the integrated model and the strong growth in our urbanisation pipeline is expected to translate into significant future work for the Construction segment.

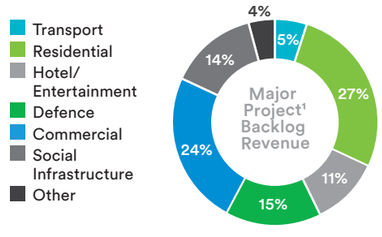
Backlog by Region



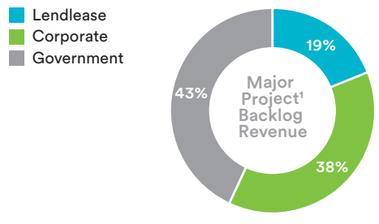
Backlog Realisation



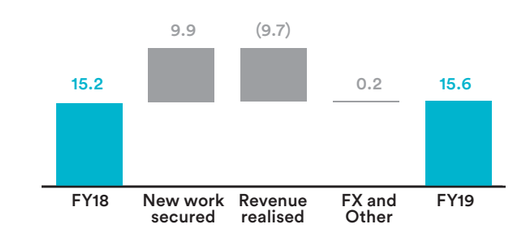
Backlog by Sector



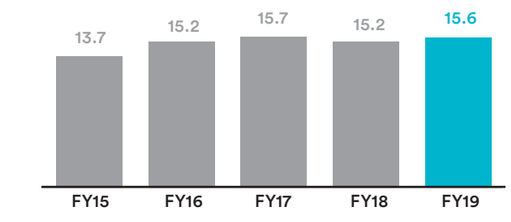
Backlog by Client



Backlog roll forward ($b)



Backlog ($b)



1. Includes all Construction projects with backlog greater than $100 million, which represents 81 per cent ($12.6 billion) of secured backlog.

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Investments performance

The Investments segment delivered EBITDA of $489 million. This resulted in a Return on Invested Capital of 10.8 per cent, the top end of the target range. While a strong result, it was lower than FY18 EBITDA of $669 million, which was driven by substantial gains in underlying asset values.

The Group made further progress on its capital partnering strategy. In the residential sector, a recent addition to the investments platform, an investment partnership in the Americas was secured. First State Super and Lendlease committed an initial US$1 billion of equity.

The office precinct at Barangaroo generated strong interest from capital partners. To meet this demand and take advantage of strong Sydney office market conditions, the Group reduced its investment position in the precinct's office assets. The current level of co-investment across these assets supports ongoing alignment with investors and maintains long-term asset management of the precinct. APPF Retail opened its liquidity window during the year, with redemption requests received from some of its investors. The Trustee and management are working on a plan to satisfy these redemption requests.

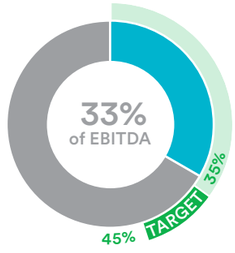
Ownership EBITDA was $345 million. The Retirement Living business delivered a solid underlying contribution, with resales up 21 per cent. Activity recovered following a period of industry-related weakness, while demand received a boost from the introduction of alternative contract types. The earnings contribution from the Retirement Living business was lower, given the reduction in ownership to 75 per cent and the associated valuation uplift in the prior year.

Solid investment income and asset value appreciation was derived from co-investment positions, in particular the Australian office portfolio. This was supported by a strong leasing and capital market environment.

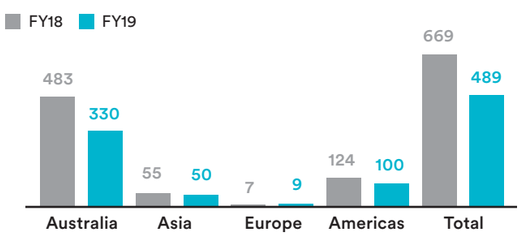
The prior year included a substantial uplift in the value of the Group's equity investment in the US Military Housing portfolio. This reverted to predominantly income-based returns on the Group's investment in the current year.

Operating EBITDA was $144 million, up eight per cent on the prior year. Higher fund management fees were generated from the 17 per cent growth in funds under management, with continued investment being made in the European and American operating platforms to position these businesses for growth and greater scale. Asset and property management fees from the US Military Housing portfolio and the Australian and Asian asset management businesses continue to support recurring earnings.

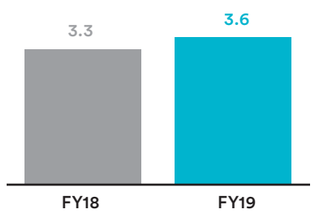
Core Business EBITDA Mix



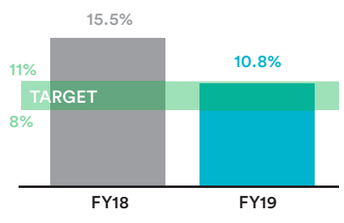
EBITDA by Region ($m)



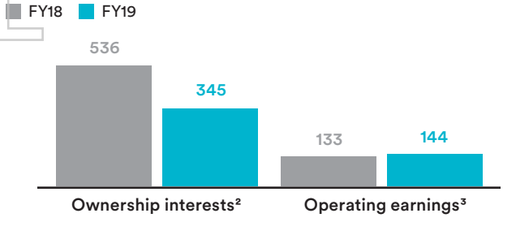
Invested Capital[1] ($b)



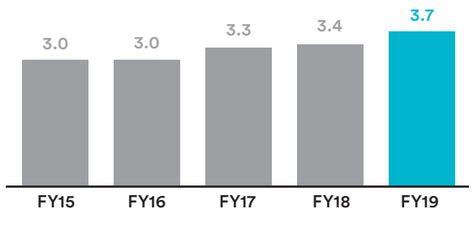
Return on Invested Capital



Investments EBITDA by Activity ($m)



Investments[4] ($b)



1. Securityholder equity plus net debt. **2.** Returns derived from co-investments, the Group's Retirement investment, US Military Housing equity investment and other investments. **3.** Earnings primarily derived from the investment management platform and the management of US Military Housing operations. **4.** The Group's assessment of market value of ownership interests.

Investments outlook

The Investments segment is well placed to continue providing a solid base of recurring earnings to the Group. The integrated business model, with the development pipeline providing product and the Construction segment providing delivery capability, is expected to remain the main source of growth for the Investments segment.

The 17 per cent growth in funds under management (FUM) was underpinned by the delivery of the urbanisation pipeline. This includes the office precinct at Paya Lebar Quarter, which now contributes approximately $2 billion following the completion of the three office towers. Residential for rent FUM has grown to approximately $1 billion during the year, representing a new asset class for the segment.

Ongoing conversion of the development pipeline with our capital partners will provide future opportunities to grow funds under management. We expect to transition a significant proportion of the urbanisation pipeline into FUM as the pipeline is delivered.

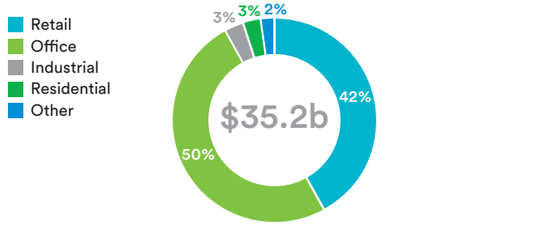
The current pipeline includes approximately $29 billion of commercial assets, where there remains strong demand from our capital partners for access to the end product. There are also more than 45,000 apartment units in the current pipeline with an end value greater than $50 billion, including the San Francisco Bay Area project secured post balance date. We expect to create a significant amount of residential for rent product and FUM from this pipeline.

We launched a partnership to invest US$1 billion in the data centre sector across the Asia Pacific. The partnership will enable the Group to leverage the integrated business model in markets in which we have a strong presence and in a sector with a strong growth outlook.

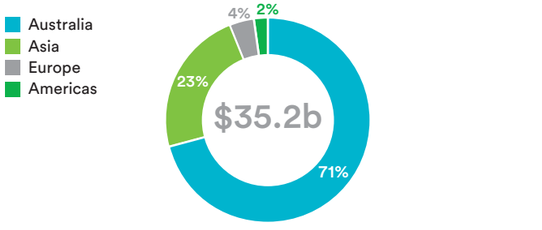
Investments managed on behalf of the Group closed the year at $3.7 billion. This includes $1.7 billion of co-investments across our funds; $1.4 billion ownership interest in the Retirement Living business; and $0.6 billion in other investments including the Group's equity interests in US Military Housing, US telecommunications assets and retail at Barangaroo.

Diversification of investments across the Group supports improved risk adjusted returns. Lendlease has relationships with approximately 150 institutional investors and a strong track record of performance. Continuing to deliver attractive outcomes for our capital partners will be critical for the ongoing success of the Investments segment.

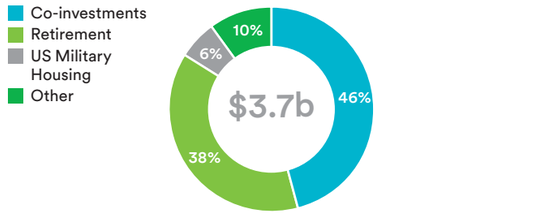
Funds Under Management[1] by Asset Class



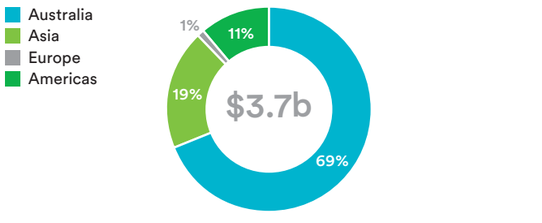
Funds Under Management[1] by Region



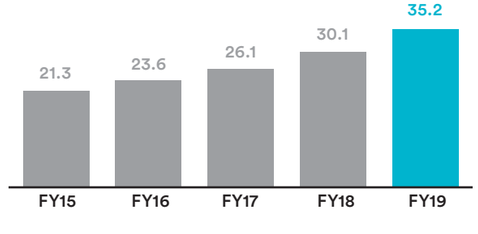
Investments[1,2] by Product



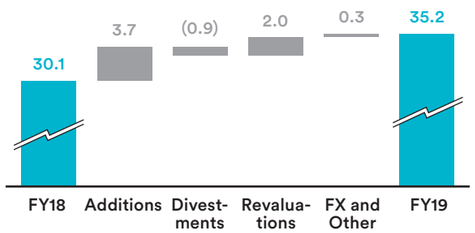
Investments[1,2] by Region



Funds Under Management[1] ($b)



Funds Under Management[1] roll forward ($b)



1. The Group's assessment of market value. **2.** The Group's ownership interest. Total invested capital in the segment of $3.6 billion in FY19.

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Non core business performance

The Group announced at the half year results the decision that the Engineering and Services business is non core and would be separated from the Group. A comprehensive strategic review concluded that this decision is in the best interests of our employees and securityholders and allows both the Group and the Engineering and Services business to focus on their core competitive advantages.

The EBITDA loss of $461 million included a $500 million provision for underperforming projects that was brought to account in the first half of the financial year.

The provision related primarily to three Engineering projects with the estimated cost of completing these projects incorporated within that provision.

Gateway Upgrade North has been operational since March 2019.

The other two projects, Kingsford Smith Drive and NorthConnex M1 / M2 Tunnel, are both more than 85 per cent complete and are due to finish in calendar year 2020.

Works on Kingsford Smith Drive that were unaffected by the re-design are scheduled to complete by the end of this calendar year, while the works on the rock anchor solution to rectify the design defect are well underway.

The final major phase of work on NorthConnex M1 / M2 Tunnel, that is Mechanical and Electrical, commenced towards the end of the financial year. Phases that incorporated lining, waterproofing and paving are substantially complete.

New work secured in Australia was $2 billion, including the WestConnex 3A M4-M5 Link Tunnels and additional works on the Southern Program Alliance.

The Engineering business closed the year with a backlog of $3.8 billion and remains active in bidding for work that is in line with the revised lower risk appetite parameters that came out of the strategic review. There is currently more than $1.6 billion of projects in bid stage, including several road and rail upgrades, and additional Western Sydney Airport works.

The two largest contracts, Melbourne Metro Tunnel Project and WestConnex 3A M4-M5 Link Tunnels, account for the majority of the current backlog. Both projects are less than 20 per cent complete.

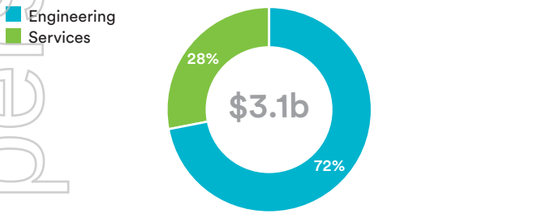
The entire Engineering portfolio has been reviewed as part of the year end process. This review has confirmed that the level of provisioning is appropriate.

The Services business remains a solid contributor to both revenue and profit with an EBITDA margin of approximately 5 per cent delivered in the year. New work secured of $1 billion was diversified by sector, with contract wins across telecommunications, utilities, solar and transport. The business closed the year with a backlog of $1.6 billion and an attractive pipeline of future opportunities.

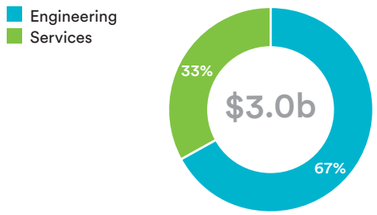
Key Financials

		FY18	FY19	Var.
Revenue[1]	$m	3,284	3,141	(4%)
EBITDA	**$m**	**(218)**	**(461)**	**(111%)**
Profit/(Loss) after Tax	**$m**	**(167)**	**(337)**	**(102%)**
New Work Secured	$b	4.3	3.0	(30%)
Backlog	$b	5.9	5.4	(8%)

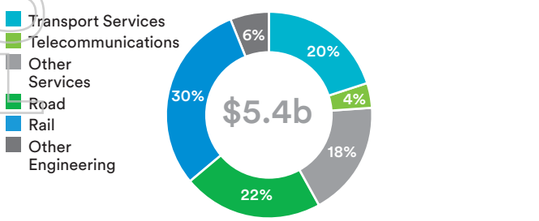
Revenue by Product



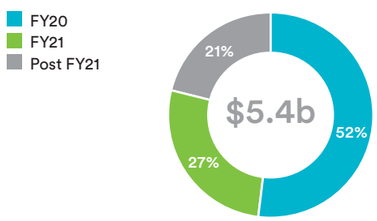
New Work Secured by Product



Backlog by Sector



Backlog Realisation



1. Includes finance revenue.

Progress on separation of non core business

As part of the separation, a sale process has been initiated for Engineering and Services, which has generated a good level of interest. Several parties are currently undertaking detailed due diligence. We remain committed to delivering the best possible outcome from the sales process for our clients, employees and securityholders.

At the half year results we announced a preliminary estimate of future restructuring costs associated with the separation of $450 million - $550 million pre tax. It was anticipated that these costs may include implementation costs such as technology and systems, employee and advisory costs, and potential costs or indemnities to cover concluding existing customer contracts. The restructuring cost estimate excluded any revenue from ongoing operations or proceeds received from sale.

The restructuring cost estimate remains appropriate based on the current portfolio position and the progress made on the sale. In FY19, $15 million of restructuring costs were expensed relating entirely to implementation costs.

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Financial position and cash flow movements

Financial Position

	FY18 $m	FY19 $m	Var.
Cash and cash equivalents	1,177	1,290	10%
Inventories	5,546	5,583	1%
Equity accounted investments	2,627	3,452	31%
Investment properties	278	501	80%
Other assets (including financial)	7,336	6,352	(13%)
Total assets	**16,964**	**17,178**	**1%**
Borrowings and financing arrangements	2,359	2,715	15%
Other liabilities (including financial)	8,191	8,106	(1%)
Total liabilities	**10,550**	**10,821**	**3%**
Net assets	**6,414**	**6,357**	**(1%)**

Inventories

Inventories increased by one per cent on the prior year. Additional investment into the development pipeline, combined with higher construction inventory, was broadly offset by settlements during the period.

Equity accounted investments

Equity accounted investments increased by 31 per cent on the prior year. The creation of the residential investment partnership in the Americas was the largest contributor to the increase. Additional equity was also contributed to fund the Group's interest in development projects including Melbourne Quarter, The Exchange TRX and Lendlease Residential Investment Partnership in the UK.

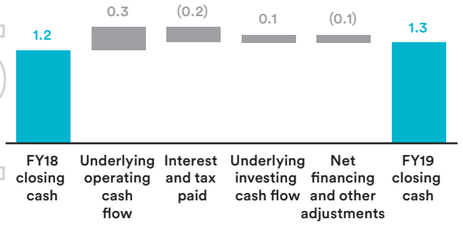
Investment properties

Investment properties were up significantly, although at $501 million they account for less than five per cent of Group assets. The increase was driven by the transfer of retail assets at Barangaroo following their stabilisation and capital expenditure on telecommunications towers in the US.

Total assets, total liabilities and net assets

Total assets rose by one per cent with growth in equity accounted investments broadly offset by the reduction in the Group's investment in the office precinct at Barangaroo and a reduction in receivables. The slight decline in net assets reflects marginal growth in assets and a rise in borrowings.

Cash movements ($b)



Financing cash flow

Net cash outflow from financing activities was $128 million. There was a significant amount of financing completed during the year as the Group increased available liquidity and lengthened debt maturity with $1.8 billion of gross debt refinanced and $1.0 billion of additional debt obtained. Distribution payments to securityholders and the on market buyback were sources of outflow during the year. The Group remains in a strong financial position with $3.9 billion of liquidity.

Operating and investing cash flow

The Group has introduced measures of underlying cash flows to better reflect the cash flows generated by the Group from its business model. This approach enables an assessment of cash conversion, that measures underlying operating cash flow relative to EBITDA. The measures are derived by adjusting statutory cash flows, with the largest adjustment relating to cash flow invested in development.

Underlying operating cash flow was $316 million. The major operating cash inflows during the period included apartment settlements across our urbanisation projects, realised gains from the sale of part of the Group's investment in the Trusts that own the office precinct at Barangaroo and the establishment of the US residential investment partnership. The losses in Engineering and the impact of presold apartment revenue collected in previous periods (through the PLLACes program) resulted in a lower cash conversion ratio of 36 per cent in FY19 compared to a the five year average of 85 per cent.

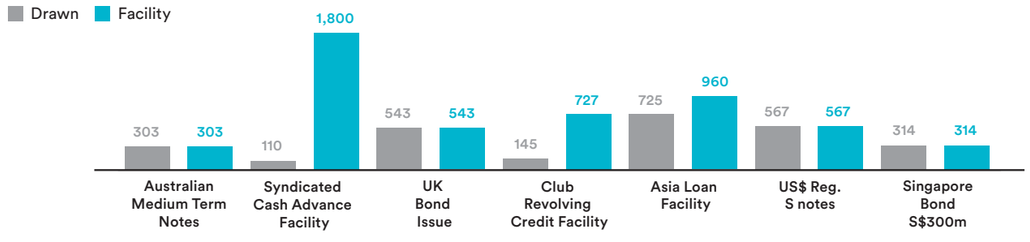
Underlying investing cash flow was $80 million. Positive investing cash flow reflects the substantial reduction in the Group's stake in the office precinct at Barangaroo. Key investing activity during the year related to ongoing investment into the development pipeline, the establishment of the Americas Residential Investment Partnership and additional equity commitments for our co-investment positions.

Group funding and debt facilities

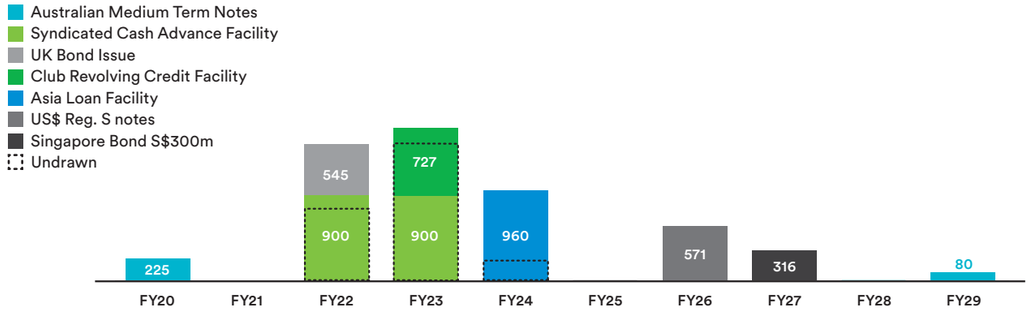
		FY18	FY19	Var.
Net debt	$m	1,182	1,425	21%
Borrowings to total equity plus borrowings	%	26.9	29.9	11%
Net debt to total tangible assets, less cash	%	8.2	9.9	21%
Interest cover[1]	times	10.7	8.8	(18%)
Average cost of debt	%	4.8	4.0	(17%)
Average debt maturity	years	4.6	4.8	4%
Average debt mix fixed: floating	ratio	86:14	52:48	
Undrawn facilities	$m	1,827	2,631	44%

Net debt, cash and gearing increased during the year, although gearing of 9.9 per cent is at the bottom of 10-20 per cent target range. Interest cover, excluding the one-off impact from underperforming Engineering projects, was 8.8 times, with the weighted average debt maturity now 4.8 years. Cash and cash equivalents of $1.3 billion, that form part of the Group's strong liquidity position of $3.9 billion, includes the Group's share of cash from joint operations of approximately $650 million, access to which is subject to Joint Venture partner approval.

Debt Facilities[2] ($m)



Debt Maturity Profile[3] ($m)



1. FY19 EBITDA has been adjusted to exclude the $500m provision on underperforming Engineering projects. **2.** Values are shown at amortised cost. **3.** Values are shown at gross facility value.

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7

Governance



Lendlease Chairman Michael Ullmer, AO presents Kaori Kawakami with the Lendlease Global Employee Award for Young Achiever.

As a young female project engineer in Japan, she says: "When the time comes, seize the opportunity".



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Board of Directors' information

- The Lendlease Board is committed to exceptional corporate governance policies and practices which we see as fundamental to the long-term success and prosperity of the Group.

In FY19, the Board continued its longstanding practice of reviewing its corporate governance and reporting practices. The Corporate Governance Statement is available on the Lendlease website at: www.lendlease.com/au/company/governance. For detailed information on the skills, experience and qualifications of each of the Directors, refer to pages 80 to 85 of the Annual Report.

The Corporate Governance Framework is regularly assessed and amended as required to remain current. The Board's five permanent committees continue to assist, advise and make recommendations to the Board on matters falling within their areas of responsibility, as set out in the committee charters. The Board delegates authority for all other functions and matters necessary for the day to day management of the Group to the Group Chief Executive Officer, who delegates to senior management as required. Limits of Authority are in place that outline the matters specifically reserved for determination by the Board and those matters delegated to Board Committees or Group Executive Management. The Limits of Authority are reviewed at least annually, and changes were made during FY19.

1. **Michael J Ullmer, AO**
   Chairman
   (Independent Non Executive Director)
2. **Stephen B McCann**
   Group Chief Executive Officer and Managing Director
   (Executive Director)
3. **Colin B Carter, AM**
   (Independent Non Executive Director)
4. **Philip M Coffey**
   (Independent Non Executive Director)
5. **David P Craig**
   (Independent Non Executive Director)
6. **Steve B Dobbs**
   (Independent Non Executive Director)
7. **Jane S Hemstritch**
   (Independent Non Executive Director)
8. **Elizabeth M Proust, AO**
   (Independent Non Executive Director)
9. **Nicola M Wakefield Evans**
   (Independent Non Executive Director)

Board skills and experience

Industry experience

The Board views 'industry experience' as skills or experience gained in one or more of the core Lendlease operating segments of Development, Construction and/or Investments.

5 of 9
Board members have experience in one or more of the core segments

100%
Have Directors' experience in governance and financial acumen

Directors' average tenure

The Board considers it has an appropriate mix of new, mid and longer tenured Directors. The average term of the Board is 5.6 years.

1-3 years	3-6 years	6-9 years	9+ years
2	3	3	1

Gender diversity

The Lendlease Board adopted a target of 30 per cent female Board members by the end of 2018 to improve gender diversity and to focus its attention on achieving this objective. This target has been met.

27%
Current female Directors as at August 2018

33%
Current female Directors as at August 2019

The Directors have a mix of local and international experience and expertise, as well as specialised skills to assist with decision making and to effectively govern and direct the organisation for the benefit of securityholders. The table below sets out the skills and experience considered by the Board to be important for its Directors to have collectively.

These skill areas are reviewed regularly to assess their alignment and support the Group's strategic direction. The skills matrix assists the Board with succession planning and professional development initiatives for Directors. In determining the skills matrix, each Director undertakes a self assessment of their skills and expertise.

Skills/Experience	Comments	Total
Governance	A commitment to and experience in setting exceptional corporate governance policies, practices and standards.	9
Industry Experience	Possessing industry knowledge, exposure and experience gained in one or more of the core Lendlease operating segments of Development, Construction and Investments. This includes acting in advisory roles for these industries.	5
International Operations	Exposure to international regions either through experience gained directly in the region or through the management of regional clients and other stakeholder relationships.	8
Health and Safety	Experience in programs implementing safety, mental health and physical wellbeing, on-site and within the business. Monitoring the proactive management of workplace health and safety practices.	7
Sustainability	The ability to identify economically, socially and environmentally sustainable developments. Ability to set and monitor sustainability aspirations.	6
Strategy	Developing, setting and executing strategic direction. Experience in driving growth and executing against a clear strategy.	9
Risk Management	Experience in anticipating and evaluating risks that could impact business. Recognising and managing these risks by developing sound risk governance policies and frameworks.	9
Legal	Experience in identifying and resolving legal and regulatory issues and having the ability to assist the Board on these matters.	4
People and Culture	Experience in building workforce capability, setting a remuneration framework which attracts and retains a high calibre of executives, promoting workplace culture, diversity and inclusion.	9
Executive Leadership	Skills gained while performing at a senior executive level for a considerable length of time including delivering superior results, dealing with complex business models, projects, and issues and change management.	9
Financial Acumen	Understanding of the financial drivers of a business. Experience in financial reporting and corporate financial management.	9
Technology	Strong technology background including online communications, IT workplace knowledge, security and data analysis skills.	6

Board of Directors' profiles

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The names, skills, experience and qualifications of each person holding the position of Director of the Company at the date of this report are outlined in the following section:



Michael J Ullmer, AO

Chairman
(Independent Non Executive Director)

Term of Office
Mr Ullmer joined the Board in December 2011.

Skills, Experience and Qualifications
Mr Ullmer brings to the Board extensive strategic, financial and management experience accumulated over his career in international banking, finance and professional services. He was the Deputy Group Chief Executive Officer of the National Australia Bank (NAB) from 2007 until he retired from the Bank in August 2011. He joined NAB in 2004 as Finance Director and held a number of key positions including Chairman of the subsidiaries Great Western Bank (US) and JB Were. Prior to NAB, Mr Ullmer was at Commonwealth Bank of Australia, initially as Group Chief Financial Officer and then Group Executive with responsibility for Institutional and Business Banking. Before that, he was a Partner at accounting firms KPMG (1982 to 1992) and Coopers & Lybrand (1992 to 1997).

Mr Ullmer has a degree in mathematics from the University of Sussex. He is a Fellow of the Institute of Chartered Accountants, a Senior Fellow of the Financial Services Institute of Australia, and a Fellow of the Australian Institute of Company Directors.

Listed Company Directorships (held within the last three years)

Non Executive Director of Woolworths Limited (appointed January 2012)

Other Current Appointments

Chairman of the Melbourne Symphony Orchestra

Trustee of the National Gallery of Victoria

Board Committee Memberships

Member of the Nomination Committee

Member of the Risk Committee



Stephen B McCann

Group Chief Executive Officer and Managing Director
(Executive Director)

Term of Office
Mr McCann was appointed Group Chief Executive Officer in December 2008 and joined the Board as Managing Director in March 2009.

Skills, Experience and Qualifications
Mr McCann joined Lendlease in 2005. Prior to his appointment as Group Chief Executive Officer, Mr McCann was Group Finance Director, appointed in March 2007 and Chief Executive Officer for Lendlease's Investment Management business from September 2005 to December 2007.

Mr McCann is a highly regarded and experienced business leader with over 25 years of executive experience. Prior to joining Lendlease, Mr McCann had 15 years' experience in property, funds management, investment banking and capital markets transactions gained through senior leadership roles at ABN AMRO and as Head of Property at Bankers Trust. Previous roles included four years as a mergers and acquisitions lawyer at Freehills and four years in taxation accounting.

Mr McCann is a member of the Business Council of Australia and the Property Council of Australia's Property Male Champions of Change. In 2013, Mr McCann was announced as the Property Person of the Year by the Urban Taskforce Australia.

Mr McCann holds a Bachelor of Economics (Finance major) and a Bachelor of Laws from Monash University in Melbourne, Australia.

Other Directorships and Positions

Nil

Board Committee Memberships

Member of the Risk Committee



Colin B Carter, AM

(Independent Non Executive Director)

Term of Office
Mr Carter joined the Board in April 2012.

Skills, Experience and Qualifications
Mr Carter is one of the founding partners of The Boston Consulting Group in Australia, retiring as a Senior Partner in 2001, and continues as an advisor with that company. He has over 30 years of experience in management consulting advising on organisational, strategy and governance issues. His career has included major projects in Australia and overseas. Mr Carter has wide industry knowledge on corporate governance issues and has carried out Board performance reviews for a number of companies. He has co-authored a book on Boards, 'Back to the Drawing Board', published by Harvard Business School Press. Mr Carter was a Non Executive Director of Wesfarmers Limited, serving on that board for 12 years.

Mr Carter holds a Bachelor of Commerce from Melbourne University and a Master of Business Administration from Harvard Business School, where he graduated with Distinction and as a Baker Scholar. He is a Fellow of the Australian Institute of Company Directors.

Listed Company Directorships (held within the last three years)

Non Executive Director of SEEK Limited (appointed March 2005, retired March 2018)

Other Current Appointments

President of Geelong Football Club

Director of The National Golf Club

Director of Australian Ballet Foundation Board

Board Committee Memberships

Chairman of the Nomination Committee

Member of the People and Culture Committee

Member of the Risk Committee

Member of the Sustainability Committee

Board of Directors' profiles

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Philip M Coffey

(Independent Non Executive Director)

Term of Office

Mr Coffey joined the Board in January 2017.

Skills, Experience and Qualifications

Mr Coffey served as the Deputy Chief Executive Officer (CEO) of Westpac Banking Corporation from April 2014 until his retirement in May 2017. As the Deputy CEO, Mr Coffey had the responsibility of overseeing and supporting relationships with key stakeholders of Westpac including industry groups, regulators, customers and government. He was also responsible for the Group's Mergers & Acquisitions function. Prior to this role, Mr Coffey held a number of executive positions at Westpac including Chief Financial Officer and Group Executive, Westpac Institutional Bank. He has successfully led operations based in Australia, New Zealand, the United States, the United Kingdom and Asia and has extensive experience in financial markets, funds management, balance sheet management and risk management. He began his career at the Reserve Bank of Australia and has also held executive positions at Citibank.

Mr Coffey holds a Bachelor of Economics (Hons) from the University of Adelaide and has completed the Executive Program at Stanford University Business School. He is a graduate member of the Australian Institute of Company Directors and Senior Fellow of the Financial Services Institute of Australasia.

Listed Company Directorships (held within the last three years)

Non Executive Director of Macquarie Group Limited (appointed August 2018)

Other Current Appointments

Chairman of the Westpac Bicentennial Foundation

Director of Clean Energy Finance Corporation Board

Board Committee Memberships

Chairman of the Risk Committee

Member of the Audit Committee

Member of the Nomination Committee

Member of the People and Culture Committee



David P Craig

(Independent Non Executive Director)

Term of Office

Mr Craig joined the Board in March 2016.

Skills, Experience and Qualifications

Mr Craig is a business leader with a successful international career spanning over 37 years in finance, accounting, audit, risk management, strategy and mergers and acquisitions in the banking, property and professional services industries. He was the Chief Financial Officer (CFO) of Commonwealth Bank of Australia from 2006 through the GFC, until he retired in June 2017. At Commonwealth Bank, he was responsible for leading the finance, treasury, property, security, audit and investor relations teams.

Mr Craig's previous leadership roles have included CFO for Australand Property Group, Global CFO for PwC Consulting and a Partner at PwC (17 years).

As well as his role as CFO of Australand Property Group (now Frasers), Mr Craig was responsible for Property for the last 22 years of his executive career, including overseeing three significant property transformations at CBA.

Mr Craig holds a Bachelor of Economics from the University of Sydney. He is a Fellow of the Institute of Chartered Accountants, ANZ and a Fellow of the Australian Institute of Company Directors.

Other Current Appointments

President of the Financial Executives Institute of Australia

Deputy Chairman of the Victor Chang Cardiac Research Institute

Board Committee Memberships

Chairman of the Audit Committee

Member of the Nomination Committee

Member of the People and Culture Committee

Member of the Risk Committee



Steve B Dobbs

(Independent Non Executive Director)

Term of Office

Mr Dobbs joined the Board in January 2015.

Skills, Experience and Qualifications

Mr Dobbs was Senior Group President, Industrial and Infrastructure at Fluor Corporation until his retirement in June 2014. On joining Fluor in 1980, Mr Dobbs was responsible for a wide diversity of markets including infrastructure, mining, telecommunications, transportation, heavy manufacturing, health care, water and alternative power. He served the company in numerous locations including the United States, China, Europe and Southern Africa.

Mr Dobbs is an industry expert in Public Private Partnerships and Private Finance Initiatives and has served as an advisor on these issues to a number of government ministries. He was a governor of industry forums related to engineering and construction at the World Economic Forum from 2008 to 2014 and served as Vice-Chair of the Forum's Global Agenda Council on Infrastructure in 2013 and 2014.

Mr Dobbs holds a Doctorate in Engineering from Texas A&M University and is a registered professional engineer (retired).

Listed Company Directorships (held within the last three years)

Non Executive Director of Cummins Inc (appointed October 2010)

Board Committee Memberships

Member of the Nomination Committee

Member of the Audit Committee

Member of the Risk Committee

Member of the Sustainability Committee



Jane S Hemstritch

(Independent Non Executive Director)

Term of Office

Ms Hemstritch joined the Board in September 2011.

Skills, Experience and Qualifications

Ms Hemstritch has extensive senior executive experience in information technology, communications, change management and accounting. She also has broad experience across the financial services, telecommunications, government, energy and manufacturing sectors and in business expansion in Asia. During a 25 year career with Accenture and Andersen Consulting, Ms Hemstritch worked with clients across Australia, Asia and the US.

Ms Hemstritch was Managing Director Asia Pacific for Accenture from 2004 until her retirement in 2007. She was a member of Accenture's global Executive Leadership Team and oversaw the management of Accenture's business in the Asia Pacific region, which spanned 12 countries and included 30,000 personnel.

Ms Hemstritch has a Bachelor of Science in Biochemistry and Physiology from the University of London and is a Fellow of the Institutes of Chartered Accountants in Australia and in England and Wales. She is a Member of the Council of the National Library of Australia and Chief Executive Women Inc.

Listed Company Directorships (held within the last three years)

Non Executive Director of Telstra Corporation Limited (appointed August 2016, retired January 2019)

Non Executive Director of Tabcorp Holdings Ltd (appointed November 2008, retired October 2017)

Other Current Appointments

President of the Board of The Walter and Eliza Hall Institute of Medical Research

Member of the Global Council of Herbert Smith Freehills Global LLP

Board Committee Memberships

Chairman of the People and Culture Committee

Member of the Nomination Committee

Member of the Risk Committee

Board of Directors' profiles



Elizabeth M Proust, AO

(Independent Non Executive Director)

Term of Office

Ms Proust joined the Board in February 2018.

Skills, Experience and Qualifications

Ms Proust is one of Australia's leading business figures and has had a diverse career holding leadership roles in the public and private sectors for over 30 years. Ms Proust spent eight years at ANZ Group including four years as Managing Director of Esanda, Managing Director of Metrobanking and Group General Manager, Human Resources, Corporate Affairs and Management Services. Before joining ANZ, Ms Proust was Secretary (CEO) of the Department of Premier and Cabinet (Victoria) and Chief Executive of the City of Melbourne.

Ms Proust has extensive board experience in listed and private companies, subsidiaries and joint ventures, as well as government and not for profits. She was made an Officer of the Order of Australia in 2010 for distinguished service to public administration and to business, through leadership roles in government and private enterprise, as a mentor to women, and to the community through contributions to arts, charitable and educational bodies.

Ms Proust holds a Bachelor of Arts (Hons) from La Trobe University and a Bachelor of Laws from the University of Melbourne.

Other Current Appointments

Chairman of Nestlé (Australia)

Chairman of the Westpac Victoria Advisory Board

Board Committee Memberships

Member of the Nomination Committee

Member of the People and Culture Committee

Member of the Risk Committee

Member of the Sustainability Committee



Nicola M Wakefield Evans

(Independent Non Executive Director)

Term of Office

Ms Wakefield Evans joined the Board in September 2013.

Skills, Experience and Qualifications

Ms Wakefield Evans is an experienced non executive director and has considerable management and legal experience having spent 29 years at King & Wood Mallesons. She was a capital markets lawyer and held a number of senior management and leadership roles. Ms Wakefield Evans has been involved in a number of significant and ground-breaking M&A transactions and has advised some of the largest companies in Australia, Asia and globally. She has extensive international experience having worked in New York and Hong Kong, and is well known in Asia where she was the Managing Partner, International at King & Wood Mallesons, Hong Kong. Ms Wakefield Evans was included in the Australian Financial Review and Westpac Group's inaugural list of 'Australia's 100 Women of Influence'. She is a member of Chief Executive Women Inc.

Ms Wakefield Evans holds a Bachelor of Jurisprudence and a Bachelor of Laws from the University of New South Wales and is a qualified lawyer in Australia, Hong Kong and the United Kingdom.

Listed Company Directorships (held within the last three years)

Non Executive Director of Macquarie Group Limited (appointed February 2014)

Non Executive Director of Toll Holdings Limited (appointed May 2011, retired June 2017)

Other Current Appointments

Chair of 30% Club, Australia

Director of the Clean Energy Finance Corporation

Director of UNSW Foundation Limited

Director of Australian Institute of Company Directors

Director of Chief Executive Women

Board Committee Memberships

Chairman of the Sustainability Committee

Member of the Nomination Committee

Member of the Audit Committee

Member of the Risk Committee

David A Crawford, AO

(Retired 16 November 2018)

Mr Crawford joined the Board in July 2001 and was appointed Chairman in May 2003. He retired in November 2018.

Mr Crawford was most recently the Inaugural Chairman of South32 Limited (appointed May 2015, retired April 2019) and had an extensive experience in risk management and business reorganisation. He acted as a consultant, scheme receiver and manager, and liquidator to many large and complex corporations. Mr Crawford was previously Australian National Chairman of KPMG and a former Non Executive Director of BHP Billiton Corporation Limited.

Phillip M Colebatch

(Retired 16 November 2018)

Mr Colebatch joined the Board in December 2005 and retired in November 2018.

Mr Colebatch had extensive experience in insurance, strategy, risk management and investment banking, gained over an international career spanning 35 years. He held a number of senior roles at large international corporations including Swiss Reinsurance Company and Credit Suisse Group. Mr Colebatch also served 10 years as a director on the Man Group Board, a FTSE 250 company, until his retirement in September 2017, and six years as a Non Executive Director of international general insurance group IAG Limited.

General Counsel and Company Secretary qualifications and experience



Karen Pedersen

Ms Pedersen was appointed Group General Counsel in January 2013. Prior to this she was General Counsel and Company Secretary for other large property and construction companies. Ms Pedersen has a Masters of Law from the University of Technology, Sydney and a Bachelor of Commerce/Bachelor of Laws from the University of New South Wales.



Wendy Lee

Ms Lee joined Lendlease in September 2009 and was appointed Company Secretary in January 2010. Prior to her appointment, Ms Lee was a Company Secretary for several subsidiaries of a large financial institution listed on the Australian Securities Exchange. She has over 10 years of company secretarial experience. Ms Lee has a Bachelor of Arts and a Bachelor of Laws from the University of Sydney, a Graduate Diploma in Applied Corporate Governance, and is a Fellow of the Governance Institute Australia.

Officers who were previously partners of the audit firm

KPMG or its predecessors was appointed as Lendlease's auditor at its first Annual General Meeting in 1958.

Mr Crawford was a Partner and Australian National Chair of KPMG. He resigned from this position on 28 June 2001 prior to his appointment as a Director of Lendlease on 19 July 2001.

Mr Ullmer was also a Partner at KPMG from 1982 until October 1992.

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Engagement.
Board regional program FY19

As an international company and having regard to the material scale of individual projects, the Board program is formulated to reflect the geographic spread of Lendlease businesses.

Engaging with Lendlease work

Board members attend program activities in addition to formal meetings. The Chair works with the Company Secretary to forward plan the program for the year. Depending on the time of year and the region, the program runs for a minimum of two days and up to five days where deeper project reviews are required. Each program comprises formal meetings and additional business briefings, presentations from internal and external sources, project site visits, client meetings and networking events with employees and key stakeholders.

Directors are also encouraged to make site visits outside of a scheduled Board program. The program is an important element of the Board's activities and enables Directors to obtain the required deep understanding of the activities and operations within each region.

Stakeholder engagement

The Board members, led by the Chairman, maintain an active and extensive engagement program to represent the interests of Lendlease at various industry functions and bodies. The Chairman acts as a spokesperson for Lendlease and regularly meets with customers, investors, governments and media.

Meeting with Lendlease people

In addition to these industry events, the Chairman and Board members also meet regularly with local Lendlease management and employees. These events typically take the form of employee 'town hall' style events. The Board members encourage employees to ask questions at these sessions which provide the opportunity for open and honest debate on organisational culture.

Program for the reporting period between 1 July 2018 and 30 June 2019.

Board meetings are scheduled in Australia and each of the regions where Lendlease operates.

Americas

- Received a deep dive presentation on the Southbank residential for rent building and Lakeshore East Master Plan in Chicago. Guided site visits of both developments occurred following the presentation (October 2018)
- Guided walk through the 277 Fifth Avenue and MoMa developments in New York (October 2018)
- CEO update with all staff in New York (October 2018)
- Received a deep dive of the Javits project in New York followed by a site walk of the project (April 2019)
- Guided site walk through 250 South Street and 520 Park Avenue New York residential developments (April 2019)
- Viewing of other mixed-use projects in the New York precinct (April 2019)

Europe

- Board panel and networking session for the 'Horizon' Group, a young professionals networking group based in the London office (July 2018)
- Guided walk of the Euston area for mixed-use urban regeneration project (July 2018)
- Guided walk of Kings Cross Google headquarters site (in development) (July 2018)
- The Elephant, Elephant & Castle, (individual Director site visits July 2018)
- Received a deep dive presentation on the Milano Santa Giulia project and viewed the mixed-use urban regeneration projects in the Milan precinct (individual Director site visits May 2018)

Australia

- Presentation on the Melbourne Conservatorium project and customer interface with the Melbourne Conservatorium Board members. Site walk of Ian Potter Southbank Centre focusing on the Melbourne Conservatorium facilities (June 2019)
- Drive alongside sections of the Caulfield to Dandenong Level Crossing Removal Project in Victoria, and site walk of various sections and rail overpass followed by presentation by the project team (June 2019)
- Viewing of new aquarium at Royal Melbourne Children's Hospital followed by viewing of the main facilities (June 2019)
- Overview and site walk of Melbourne Quarter project (June 2019)
- Board and all staff 'town hall' event and panel session in Melbourne (June 2019)

The Board visited the Asia region in July 2019. As this visit did not fall in the reporting period, details will be provided in the FY20 Annual Report.

Board Project Assessment
Southbank, Chicago



One of the key responsibilities of the Lendlease Board is to oversee the strategy so the Group can pursue its integrated business model in targeted gateway cities around the world.

The Southbank, Chicago project is presented as a case study of the activities that the Board undertakes in reviewing and assessing strategic opportunities.

Many of these projects are long dated. Commencing in 2015, the Lendlease Board received various updates on the Chicago development opportunities ahead of formal requests for approval. In arriving at the decision to approve the investment, the Board considered numerous factors relevant to the development and received reports from internal and external sources on its viability.

In 2016, the Board received a presentation and attended a deep dive of several projects within the Lendlease Chicago development portfolio including Southbank, Chicago. This included the Board members visiting the area to view the site pre-construction. The Board was able to view the site and its location and the untapped potential for urban transformation.

Since the project was secured, the Board has continued to receive updates on Southbank, as a standalone project and as part of the Americas regional strategy. The Board has also received presentations on the residential for rent model of housing. In October 2018, as part of the Board Regional Visitation Program, the Board visited The Cooper, the first residential for rent tower at Southbank, Chicago, prior to its release. The Cooper forms part of the residential for rent partnership launched in FY19 with First State Super. The Board received a detailed commercial update on the project and took a guided walk through the facilities offered to residents. The ability to view the site has been of benefit during updates on the Chicago developments, helping to put the project into context.

Activities undertaken by the Board to assess the Southbank project are examples of how the Board oversees management, delivering in accordance with the Group's strategy through its program of activities.

Supporting value creation

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The Board recognises that the five focus areas of value creation, supported by disciplined governance and risk management, contribute to performance and drive the long-term value of our business.

During the year, in addition to the responsibilities and tasks set out in the charter documents, the Board and Board Committees deliberated on the following specific matters and undertook a number of activities to support value creation. While these do not represent the full scope of Board activities, they highlight some of the areas of focus by the Board.

Health and Safety

Material Issue:
Operating safely across our operations and projects. Maintaining the health and wellbeing of our employees and those who engage with our assets and sites.

The Board and Sustainability Committee undertook the following activities as part of their continued review of the Lendlease Health and Safety Framework and the unwavering commitment to the safety of our people and those who interact with Lendlease assets and sites.

Board activities and actions:

- Received the findings from an external review examining the relationship between culture, climate and safety in each of the regions where Lendlease operates
- Received and discussed the measures and actions taken at a project and regional level in response to the fatality at the 217 West 57th Street project in New York, which occurred on 27 May 2018
- Refreshed the reporting of health and safety issues to the Board by including enhanced reporting of metrics from a Group and regional perspective and 'traffic light' reporting of the Group's Critical Incidents
- Received and discussed reports focusing on Level 3 critical incident reports and the actions to address these incidents
- Endorsed the further work being undertaken in each region to improve messaging and cultural development on health and safety issues including the launch of the award-winning 'Mums for Safety' campaign
- Assessed the health and safety culture through regular visits to Lendlease projects as detailed in the Board's Regional Visitation Program. Visits were conducted as part of the scheduled calendar of events and by individual Directors outside of the formal program
- Board members questioned frontline leaders and employees on Lendlease's Global Minimum Requirements (GMRs) during site visits

Financial

Material Issue:
Delivering securityholder returns. Maintaining strong capital management to enable investment in our future pipeline.

The Board and Audit and Risk Committees undertook the following activities to help fulfil the Board's oversight responsibilities in delivering returns to securityholders and by adopting a prudent approach to capital management with a view to maintaining a strong balance sheet throughout market cycles.

Board activities and actions:

- The Engineering business was a major area of focus for the Board in FY19. In announcing in February 2019 that the Engineering and Services business was non core and no longer a required part of the Group's strategy, the Board pursued a structured review process. The review concluded that it was in the best interests of clients, employees and securityholders to consider alternatives that will allow both businesses and the Group to focus on their core competitive advantages
- Following a review of the Group's governance procedure, the Risk Management and Audit Committee was separated into two committees – the Audit Committee and the Risk Committee – recognising the importance of both functions in a healthy risk management culture and in maintaining the Board's overall responsibility for risk oversight
- Provided regular input on reviews undertaken to refresh the Group's Risk Appetite Framework, Risk Statement and Risk Tolerances. Continued to receive reports from management on their examination of the Group's top risks and mitigating activities
- Received presentations from internal and external experts to brief the Board on key issues relevant to the business
- Approved the Cyber Security strategy to progressively increase the maturity of the resolution of these issues in the Group

Our Customers

Material Issue:
Understanding our customers and responding to changes in the market. Designing and delivering innovative, customer driven solutions to win the projects we want to win and ultimately deliver the best places.

The Board and its committees undertook the following activities as part of its support of the Group's customer focused approach and to embed a process of continuous improvement based on customer insights and actions.

Board activities and actions:

- Continued to engage with clients, investors and other stakeholders at various industry functions, site visits and events
- Continued to provide feedback on initiatives to improve the reporting of customer satisfaction and advocacy to the Board and Risk Committee to drive continuous improvement in the customer experience
- Received regular reports on key customer experience initiatives underway in various regions
- Received a report from the Reputation Institute to validate the measuring of Lendlease's reputation. Monitored the reporting of the program of activities to respond to the insights gained from the report
- Engaged with securityholders through meetings and events including the Annual General Meeting and webcasts

Our People

Material Issue:
Attracting, developing and retaining diverse talent. Ensuring we have the right capability across the organisation to deliver results for all stakeholders.

The Board, People and Culture Committee and Nomination Committee undertook the following activities to help attract, develop and retain diverse talent and to monitor the investment in developing leaders and capabilities.

Board activities and actions:

- Following endorsement by securityholders of the revised Executive Reward Strategy (ERS) at the 2018 Lendlease Annual General Meeting, approved management's implementation of the revised ERS for the Global Leadership Team
- Demonstrated and reinforced accountability for the Engineering business outcomes through remuneration consequences
- Reviewed and discussed the Group's talent management and strategic resourcing strategy and endorsed actions to provide greater transparency on the talent process
- Received and discussed the formal development plans for the Group CEO and Global Leadership Team and progress against these plans
- Refreshed the Board engagement program with senior leaders by holding a series of dinners with the Board and the Regional and Functional Leadership Teams across the Group with the aim of gaining greater visibility of the emerging pool of potential internal successors to the GLT
- Embedded the reporting of the outcomes of the gender pay review to into the annual calendar
- Received reports on workplace culture metrics and endorsed management to enhance reporting in this area
- Reviewed the evolution of the Group's purpose and vision

Sustainability

Material Issue:
Managing and optimising our performance in the context of challenges facing the built environment, including climate change and social pressures such as population growth and housing affordability.

The Board and Sustainability Committee engaged in the following activities to help deliver inclusive, healthy and adaptable places that can thrive through change.

Board activities and actions:

- Approved the new Lendlease Sustainability Framework for 2020. The new framework responds to the need to plan for future generations and integrates sustainability into all parts of the business
- Continued to support the commitment to reconciliation and the initiatives in the Elevate Reconciliation Action Plan. Supported and approved the Uluru Statement from the Heart
- Five Directors attended the Garma Program in August 2018 supporting Indigenous culture in Australia. In total, seven of the current Board members have attended the Garma Program
- Endorsed management's evolution of the 20 by 20 goals with the aim of continuously improving the environmental performance of the Group's projects and operations
- Engaged with management and discussed the four Lendlease Climate Scenarios created to test business strategies and respond to key trends in line with recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Received reports on the establishment of the 10 year program between Lendlease and the Great Barrier Reef Foundation to support a range of programs to protect critical habitats in the Reef
- Continued to support management in participating in industry roundtables on modern slavery and supply chain

Board of Directors' information

Document Under Review

Interests in Capital

The interests of each of the Directors in the Stapled Securities of the Group at 19 August 2019 is set out below. The current Non Executive Directors acquired Lendlease securities using their own funds.

Current Directors	Securities Held Directly 2019	Securities Held Beneficially/ Indirectly 2019[1]	Total 2019	Securities Held Directly 2018	Securities Held Beneficially/ Indirectly 2018[1]	Total 2018
M J Ullmer	-	100,000	100,000		50,000	50,000
S B McCann	481,478	268,540	750,018	495,492	270,644	766,136
C B Carter	-	15,000	15,000		15,000	15,000
P M Coffey	-	9,810	9,810		9,810	9,810
D P Craig	-	50,000	50,000		24,870	24,870
S B Dobbs	-	12,000	12,000		12,000	12,000
J S Hemstritch	-	20,000	20,000		20,000	20,000
E M Proust	-	25,000	25,000	-	10,000	10,000
N M Wakefield Evans	-	30,248	30,248		16,766	16,766
Former Director						
D A Crawford[2]	979	83,353	84,332	962	82,353	83,315
P M Colebatch[2]	8,790	9,533	18,323	8,790	9,533	18,323

1. Includes securities in the Retirement Plan beneficially held by D A Crawford and P M Colebatch. **2.** D A Crawford and P M Colebatch ceased to be a Non Executive Directors on 16 November 2018. The balance of securities held at the end of the financial year shown here represents the balance held at that date.

Directors' Meetings

Board meetings

The Board meets as often as necessary to fulfil its role. Directors are required to allocate sufficient time to the Group to perform their responsibilities effectively, including adequate time to prepare for Board meetings. During the financial year ended 30 June 2019, 15 Board meetings were held. Four of these meetings were held in Australia, two in the US and one in the UK. In addition, 8 meetings were held via teleconference to discuss specific matters, and matters were dealt with as required by circular resolution. From time to time special subcommittees are formed to give the Board better guidance and provide oversight concerning specific matters. During the reporting period, nine Board subcommittee meetings were also constituted to deal with specific matters.

The Board recognises the essential role of committees in guiding the organisation on specific issues. Following the appointment of the new Chairman in November 2018, a comprehensive review of the Board and its committees was undertaken. A range of opportunities was identified to enhance the effectiveness and efficiency of the Board process and the responsibilities reserved specifically for the Board and its committees. Following this review, there are now five standing Board committees to assist, advise and make recommendations to the Board on matters falling within their areas of responsibility.

The five permanent committees of the Board are:

Audit Committee

The Audit Committee assists the Board with its oversight responsibilities in relation to accounting policies and practices, tax matters, treasury reporting, monitoring of internal financial controls, internal and external audit functions and financial reporting of the Group.

People and Culture Committee

The People and Culture Committee assists the Board with its oversight responsibilities in relation to establishing people management and compensation policies for the Group.

Risk Committee

The Risk Committee assists the Board with its oversight responsibilities in relation to risk management and internal control systems, risk policies and practices, compliance, and approvals of project transactions of the Group. The Risk Committee also has another important role – to review, and if approved, recommend to the Board for approval major transactions as referred to the Committee by the Global Investment Committee. Given the review of major transactions moving to the Risk Committee, all members of the Board including the Managing Director and CEO, are members of the Risk Committee.

Sustainability Committee

The Sustainability Committee assists the Board to monitor the decisions and actions of management in achieving Lendlease's aspiration to be a sustainable organisation. Sustainability is viewed as encompassing how Lendlease conducts business through the pursuit of workplace safety, a commitment to corporate social responsibility, environmentally sustainable solutions and employee diversity, development and opportunity. Lendlease is strategically and culturally committed to achieving commercial success in ways that honour ethical values and respect people, communities and the natural environment.

Nomination Committee

The Nomination Committee advises and supports the Board to fulfill its responsibilities to securityholders; to assure that the Board is comprised of individuals who in combination bring a mix of expertise, skills, experience and perspectives and contribute to the discharge of diligent oversight and effective corporate governance of the Group. The Nomination Committee also oversees activities for Director development and reviews of Board, Committee and Director performance.

Attendance at Meetings of Directors 1 July 2018 to 30 June 2019

The number of Board and Board Committee meetings held, and the number of meetings attended by each Director during the 2019 financial year, are set out in the tables below.

(MH) Number of meetings held. (MA) Number of meetings attended.

Membership	Board[2] (Chairman M J Ullmer)		Board Subcommittee Meetings[3] (Chairman M J Ullmer)		Nomination Committee (Chairman C B Carter)		People and Culture Committee (Chairman J S Hemstritch)	
	MH	MA	MH	MA	MH	MA	MH	MA
M J Ullmer[1]	15	15	9	9	6	6	4	4
S B McCann[1]	15	15	8	8	6	6	5	5
C B Carter	15	13	-	-	6	6	5	5
P M Coffey	15	15	7	7	6	6	5	5
D P Craig	15	15	7	7	6	6	5	5
S B Dobbs	15	15	1	1	6	6	-	-
J S Hemstritch	15	14	1	1	6	6	5	5
E M Proust	15	15	-	-	6	6	3[4]	3[4]
N M Wakefield Evans	15	15	8	8	6	6	-	-
D A Crawford (retired 16 November 2018)	6	6	2	2	3	3	2	2
P M Colebatch (retired 16 November 2018)	6	6	-	-	3	3	2	2

Membership	Sustainability Committee (Chairman N M Wakefield Evans)		Risk Management and Audit Committee[5] (Chairman D P Craig)		Audit Committee[6] (Chairman D P Craig)		Risk Committee[7] (Chairman P M Coffey)	
	MH	MA	MH	MA	MH	MA	MH	MA
M J Ullmer[1]	3	3	3	3	1	1	2	2
S B McCann[1]	3	3	3	3	1	1	2	2
C B Carter	3	3	-	-	-	-	2	2
P M Coffey	-	-	3	3	1	1	2	2
D P Craig	-	-	3	3	1	1	2	2
S B Dobbs	3	3	3	3	1	1	2	2
J S Hemstritch	-	-	3	3	1	1	2	2
E M Proust	3	3	-	-	-	-	2	2
N M Wakefield Evans	3	3	3	3	1	1	2	2
D A Crawford (retired 16 November 2018)	1	1	2	2	-	-	-	-
P M Colebatch (retired 16 November 2018)	-	-	2	2	-	-	-	-

1. M J Ullmer and S B McCann as Board Chairman and CEO attend every meeting, including those meetings where they are not a member of the Committee.
2. Eight of the 15 Board meetings were called at short notice to deal with specific matters. C B Carter was not available for two of these teleconferences and J S Hemstritch was not available for one of these teleconferences as they were called at short notice.
3. Board Subcommittees are constituted to consider specific issues. Members are appointed during the year as required.
4. E M Proust was appointed to the People and Culture Committee with effect from 1 January 2019 and attended all meetings of the People and Culture Committee since her appointment.
5. Following a comprehensive review, the Risk Management and Audit Committees were separated into two committees.
6. The first meeting of the inaugural Audit Committee was held in June 2019.
7. The first meeting of the inaugural Risk Committee was held in April 2019.

Remuneration Report

Message from the Board

In presenting the 2019 Remuneration Report, the Board acknowledges that the past year has been particularly challenging. The underperformance of our Engineering business, and consequent erosion of securityholder value, has been extremely disappointing. In addition, it has overshadowed the underlying performance of our core business, which has achieved significant successes.

As you would expect, the Board's remuneration decisions for senior executives reflect the overall performance of the business for the year. The Board continues to work closely with the leadership team to rebuild confidence in Lendlease and to set the Company up for future success as it delivers its record pipeline of new work.

A new approach to executive remuneration

At the November 2018 Annual General Meeting, securityholders endorsed a number of changes to senior executive remuneration. These changes were developed to:

- Create longer dated rewards that are aligned to earnings
- Further align reward with securityholder interests
- Promote team behaviours and an enterprise leadership mindset
- Retain the senior leadership team.

The changes have contributed to a reward strategy that recognises the importance of delivering growth from long-dated urbanisation projects while also providing short-term awards for maintaining focus on disciplined execution and growth within the target portfolio mix. More than half of the Group CEO's new target remuneration package is now directly linked to securityholder outcomes. Full details of the changes can be found on page 97 of this report.

Linking remuneration decisions and performance

Given the changes outlined above, and the disappointing performance in the Engineering business which has impacted the Group's FY19 result, Short Term Awards for the Group CEO and senior executives have been significantly reduced compared to last year (in aggregate down by 80 per cent and $5.9 million).

Consistent with Lendlease's culture of accountability, the Board and the Group CEO agreed that he would forego, in full, any Short Term Award for FY19. The range of Short Term Award outcomes for other senior executives was between 25 per cent to 50 per cent of their target.

Reported total remuneration outcomes for the Group CEO are lower in FY19 than they were in FY18. They include elements of remuneration that have been deferred from prior years or are subject to future performance hurdles. Further information can be found on pages 103 to 107 of this report.

The Board has not applied malus provisions to Deferred Short Term Incentives (STI) or Long Term Incentives (LTI) awarded in prior years. The Board was satisfied that the events causing the underperformance related to FY19 and would be appropriately reflected in remuneration through:

- Zero or significantly reduced FY19 Short Term Award outcomes
- A reduction in the value of STI awards that were deferred from prior years
- A reduction in the value of securities covered by the mandatory securityholdings policy
- The value and future vesting potential of Long Term Incentives and awards.

We are pleased to be able to report that the year ended with no reportable fatalities. Our focus on safety is resolute and we will continue to strive to eliminate the most critical incidents.

The details of the Board's decisions about this year's remuneration can be found in the Remuneration Awarded table on page 103.

Our reward structures and the securityholder experience

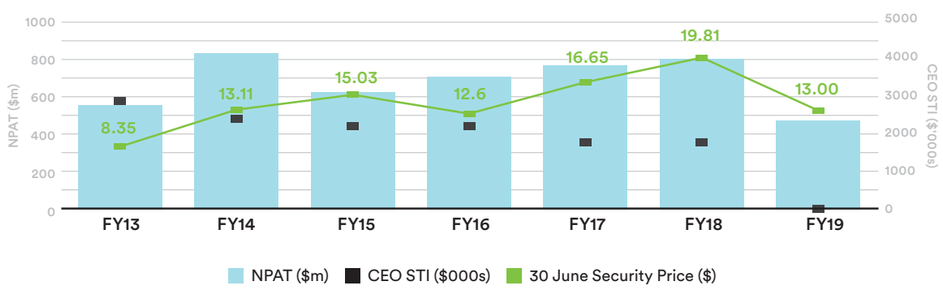
Our senior executives hold a significant number of securities. Senior executives included in this report have seen the value of interests that were held on 8 October 2018[1], and that were still held on 30 June 2019, fall by more than $8.4 million. Interests include mandatory securityholdings, unvested deferred awards and personal holdings. Our Group CEO saw the value of his 8 October 2018 holdings decline by more than $4.0 million over the same period. Further information can be found on page 105 of this report.

The Board recognises that some securityholders may question remuneration decisions made in any given year. When these decisions are reviewed over time, the Board believes it has acted in the interests of securityholders. To illustrate this, the graph below tracks how the Group CEO's short-term incentives and short-term award have changed over time and plots outcomes relative to the security price and the Group's profit performance (NPAT).

The Board continues to invite securityholders to provide feedback and commits to an ongoing review of remuneration outcomes to assess the effectiveness of our approach to executive remuneration.

Michael Ullmer, AO
Chairman

Jane Hemstritch
Chairman, People and Culture Committee



1. 8 October 2018 is the first date at which all senior executives were restricted from trading after STI and LTI awards from prior years had vested, which occurred in September 2018.

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This report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

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Remuneration Report

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Executives and Non Executive Directors Covered by this Report

The following Executives and Non Executive Directors were considered Key Management Personnel (KMP) for the year ended 30 June 2019. Former Non Executive Directors who were KMP during the year are also covered by this report.

Group CEO and senior executives

Current Executives

Stephen McCann	Group Chief Executive Officer and Managing Director (Group CEO)
Johannes Dekker	Group Head of Engineering and Building
Tarun Gupta	Group Chief Financial Officer
Denis Hickey	Chief Executive Officer, Americas
Daniel Labbad[1]	Chief Executive Officer, Europe
Anthony Lombardo	Chief Executive Officer, Asia
Kylie Rampa	Chief Executive Officer, Property Australia
David Andrew Wilson	Group Chief Commercial and Risk Officer

Note: the term 'senior executives' used throughout this Remuneration Report refers to all the executives listed above, unless stated otherwise.

Non Executive Directors

Current Non Executive Directors

Michael Ullmer	Independent Chairman (appointed 16 November 2018)
Colin Carter	Independent Non Executive Director
Philip Coffey	Independent Non Executive Director
David Craig	Independent Non Executive Director
Steve Dobbs	Independent Non Executive Director
Jane Hemstritch	Independent Non Executive Director
Elizabeth Proust	Independent Non Executive Director
Nicola Wakefield Evans	Independent Non Executive Director

Former Non Executive Directors

David Crawford	Independent Chairman (ceased this role 16 November 2018)
Phillip Colebatch	Independent Non Executive Director (ceased this role 16 November 2018)

1. Until 24 July 2018 Daniel Labbad held the role of Chief Executive Officer, International Operations in addition to his role as Chief Executive Officer, Europe.

a. Executive Remuneration at Lendlease and 2019 Performance

Lendlease's Executive Reward Strategy on a page

The following provides a high level overview of the key aspects of Lendlease's Executive Reward Strategy, principles and remuneration components.

Vision	To create the best places				
Strategic direction	To be recognised as a leading international property and infrastructure group				
Executive Reward Strategy	A remuneration framework that aims to attract and retain the high calibre executives needed to deliver the strategy and that aligns rewards with sustainable performance				
Governance	**People and Culture Committee** Reviews and makes recommendations to the Board for Group CEO remuneration, performance targets and assessment against those targets Approves remuneration, performance targets and outcomes for senior executives				**Board** Overall responsibility for senior executive remuneration
Objectives	Aligned with securityholder interests	Longer dated rewards, aligned to earnings and reflecting importance of urbanisation projects	Promote team behaviours and enterprise leadership mindset	Consistent pay for common roles – facilitating mobility of talent	Retention of senior executives
Principles	**Simple** Transparent and easy to communicate	**Responsive** Considers interests of both internal and external stakeholders	**Balanced** A significant portion of remuneration at risk, earned for outstanding performance	**Risk Management Focused** Clear practices that minimise potential conflicts of interest and enable effective and aligned decision making	
	Tiered approach with target remuneration mix defined at each tier				
Remuneration Components	**Fixed remuneration** Target fixed remuneration set for each tier and established with reference to market median and 75th percentile against 'anchor roles'	**Short Term Awards (STA) – at risk** • Focus on priority areas in the current financial year • Delivered as cash • Assessed against financial (50%) and non-financial targets (50%) • Outcomes range from 0% to 150% of target		**Long Term Awards (LTA) – at risk** • Focused on future years, with a six year time horizon • Three year performance period • Performance hurdles: 50% relative Total Securityholder Return (TSR) and 50% Average Return on Equity (ROE) • After testing, awards are delivered in four equal tranches over a further three years • A minimum award promotes alignment with securityholders and a maximum award is paid only for outstanding performance	
Target Pay Mix	31% for Group CEO 36% for senior executives	17% for Group CEO 15% for senior executives		52% for Group CEO 49% for senior executives	
	Managing business and operational risks				
Business and Operational Risk	Performance hurdles that reflect the 'long tail' of risk and profitability	Mandatory securityholding for Group CEO and senior executives	Robust forfeiture and malus provisions and deferral of awards for up to six years	Board discretion to reward good decisions, account for unforeseen circumstances and adjust appropriately	Qualitative overlay built into performance assessment to provide a balanced and holistic assessment

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Remuneration Report

a. Executive Remuneration at Lendlease and 2019 Performance continued

Executive reward strategy changes in 2019

In the 2018 Remuneration Report, the Board set out its intention to implement changes to the Executive Reward Strategy (ERS) during 2019.

At the 2018 Annual General Meeting, 91.5 per cent of votes cast were in favour of the adoption of the Remuneration Report. Consequently, the Board made the decision to adopt the changes to senior executive remuneration during 2019.

Details of the new remuneration structure are included on the next page.

Board objectives and alignment to strategy

The Board's key objectives in making changes to the remuneration structure are to:

- Create longer dated rewards that align to earnings
- Further align with securityholder interests
- Promote team behaviours and an enterprise leadership mindset
- Retain the senior executive team
- Better align reward and strategy.

Summary of how the approach aligns to these objectives

Longer dated rewards, aligned to earnings	• Reduce short-term pay • Increase the time horizon of Long Term Awards to six years, to align with Lendlease's future earnings profile (a significant portion of the expected profit from business activities taking place in the current period will be recognised over five+ years) • Retain Long Term Awards post employment, which aligns senior executives' interests to creating long-term value and effective succession
+	
Alignment to securityholders	• Majority of variable reward is directly linked to securityholder outcomes and delivered in securities
+	
Team behaviours and enterprise leadership	• Shift the weighting of team-based reward in both long-term and short-term pay, with more than 85 per cent of target variable pay based on Group outcomes in order to promote an enterprise leadership mindset and collaborative approach • Align reward opportunity across similarly sized roles, supporting a team approach and senior executive mobility
+	
Retention of senior executive team	• Increase the maximum Long Term Award to create a compelling reward opportunity if securityholder outcomes are achieved • Forfeiture of deferred rewards to disincentivise working for a competitor
=	
An executive reward strategy that better aligns strategy and reward	• Recognising the importance of the core strategy to deliver growth from long dated urbanisation projects • Recognising the importance of securityholders, our customers, employees and communities with direct links to the focus areas of value creation • Shifting the pay mix towards Long Term Awards that are strongly aligned to securityholder returns • Using short-term pay to reward senior executives for maintaining focus on disciplined execution and growth within a target portfolio mix

Changes to pay for the Group CEO and senior executives

Under the revised ERS, remuneration is structured as follows:

Fixed Pay	A tiered approach to setting fixed pay levels, aligned for similar sized roles, to simplify pay setting and support mobility
Short Term Award (STA)	Designed to focus senior executives on priority areas for delivery in the current financial year, including key Group financial targets and other non-financial targets aligned to Lendlease's focus areas of value creation: Health and Safety, Financial, Our Customers, Our People, and Sustainability
Long Term Award (LTA)	Designed to support behaviours that drive long-term securityholder value

Details of how the STA and LTA work are set out on pages 110 and 112 respectively.

The changes to pay which have been introduced during 2019 are summarised in the table below. The values in the table below represent target, minimum and maximum potential outcomes and do not reflect what has been received in the year.

	Group CEO		Typical Lendlease senior executive		
	FY18	**FY19**	**FY18**	**FY19**	**Key Features**
Fixed Pay	2,034	2,200	1,100	1,200	A tiered approach is adopted to setting fixed pay, aligned for similar sized roles, to simplify pay setting and support mobility
Short Term Award Target[1]	1,750	1,200	1,000	500	Delivered as cash following the end of the performance year. Quantums are reduced compared to those under the previous Short Term Incentive (STI) plan, under which outcomes were delivered as a combination of cash and deferred securities Performance is assessed against our focus areas of value creation to drive collaboration and operational excellence
Short Term Award Maximum[1]	2,625	1,800	1,500	750	As above
Long Term Award Target[2,3]	3,300	3,700	900	1,600	Increased weighting to focus senior executives on long-term value creation Awards delivered over a six year period, with performance assessed over a three year period Under the previous Long Term Incentive (LTI) plan, awards were measured and released over three years (50%) and four years (50%) ROE and relative TSR hurdles continue to be used to assess performance The LTA is reported on a face value basis
Long Term Award Maximum[2,3]	3,300	5,550	900	3,200	Higher LTA for outstanding performance to create compelling wealth opportunity The LTA is reported on a face value basis
Long Term Award Minimum[2]	0	500	0	500	Award minimum aligns senior executives and securityholders at all times and focuses senior executives on effective risk management
Total Target Reward	7,084	7,100	3,000	3,300	Higher total target reward offsets impact of longer dated reward for senior executives

Target remuneration mix for FY19 for the Group CEO and senior executives

	Group CEO	Typical senior executive
Fixed Pay	31%	36%
Short Term Award	17%	15%
Long Term Award	52%	49%

1. For FY18, the values in the Short Term Award represent the corresponding target and maximum opportunity under the Short Term Incentive arrangements in that year.
2. For FY18, the values in the Long Term Award represent the face value of awards granted under Long Term Incentive arrangements in that year. There was no Award Minimum under the LTI. **3.** Under the FY18 LTI plan the target and maximum values both represent the maximum award that can be received. Under the Long Term Award plan a distinction is drawn between target and maximum awards with the latter paid for delivering exceptional performance.

Remuneration Report

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a. Executive Remuneration at Lendlease and 2019 Performance continued

2019 Performance and Outlook

For a detailed analysis of our Group and segment Performance and Outlook, please refer to pages 62 to 75. A summary is included below.

Key Financials

		FY18	FY19	Var.
Core Business				
Revenue[1]	$m	13,288	13,414	1%
Development EBITDA	$m	673	793	18%
Construction EBITDA	$m	296	211	(29%)
Investments EBITDA	$m	669	489	(27%)
Operating EBITDA	**$m**	**1,638**	**1,493**	**(9%)**
Corporate EBITDA	$m	(175)	(165)	6%
Group EBITDA	**$m**	**1,463**	**1,328**	**(9%)**
Profit after Tax	**$m**	**960**	**804**	**(16%)**
Non Core				
Revenue[1]	$m	3,284	3,141	(4%)
EBITDA	**$m**	**(218)**	**(461)**	**(111%)**
Profit/(Loss) after Tax	**$m**	**(167)**	**(337)**	**(102%)**
Total Group				
Revenue[1]	$m	16,572	16,555	-
EBITDA	**$m**	**1,245**	**867**	**(30%)**
Profit after Tax	**$m**	**793**	**467**	**(41%)**
Underlying Operating Cash Flow[2]	$m	913	316	(65%)
Net Assets	$m	6,414	6,357	(1%)
Net Debt	$m	1,182	1,425	21%
Effective Tax Rate[3]	%	25.6	24.7	(4%)
Earnings per Security	cents	136.1	82.4	(39%)
Distribution per Security	cents	69.0	42.0	(39%)
Weighted avg Securities	no.(m)	583	567	(3%)

Portfolio Management Framework

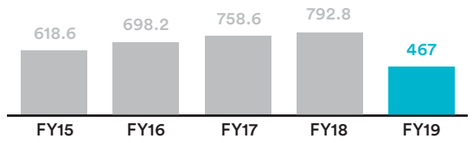
	Target	FY18	FY19
Total Group Metrics			
Return on Equity	10-14%	12.7%	7.4%
Dividend payout ratio	40-60%	50%	51%
Gearing	10-20%[4]	8.2%	9.9%

1. Includes finance revenue. **2.** Underlying Operating Cash Flow is derived by adjusting statutory cash flows to better reflect the operating cash generated by the Group from its operating model. **3.** Lendlease's approach to tax is outlined in the 2019 Tax Report (https://www.lendlease.com/au/investor-centre/distribution-and-tax/). Details on tax balances are included within the Consolidated Financial Statements. **4.** Review of capital structure underway to reflect change in business mix.

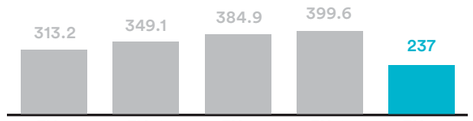
Five year performance summary

The graphs below outline some key indicators of Group performance over the past five years.

Statutory Profit after Tax (PAT) Attributable to Securityholders ($m)[1]

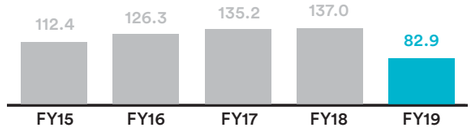


Total Dividends/Distributions ($m)[1,2]

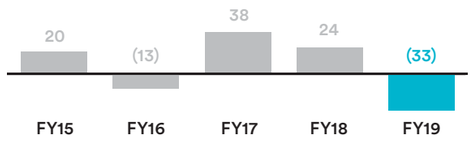


Earnings per Stapled Security (EPSS) (cents)[3]

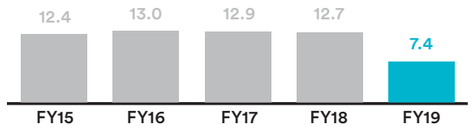
(excluding treasury securities)



Annual Total Securityholder Return (%)[4]



Return on Equity (ROE) (%)[5]



Performance and funding for Short Term Incentives

Incentives are funded from an incentive pool which represents a maximum that can be awarded. Using an incentive pool provides for a fair sharing of profits between securityholders and employees by capping the amount of profits that can be paid to employees. It also forges a strong link between Group performance and Short Term Incentive (STI) outcomes because they are influenced (up or down) by the available pool.

Group Profit after Tax (PAT) is one factor that determines the overall size of the incentive pool. An assessment of overall profit make-up, health of the business and other financial and non-financial factors are also considered.

Group PAT was substantially below target for FY19 as a result of the impact of underperformance in our Engineering business. Earnings, Return on Equity and cashflow performance from our core business were otherwise very strong. After an overall assessment of performance across each of the businesses in the Group, the Board approved an incentive pool that was substantially lower than in 2018, with funds being weighted to reward our front-line teams.

Group CEO scorecard and performance in 2019

Short Term Award (STA) outcomes are based on financial and non-financial measures and are designed to focus senior executives on priority areas for delivery in the current financial year.

50 per cent of awards are assessed against a set of team targets for Group financial performance against metrics that include:

- Profit after Tax
- EBITDA
- Return on Equity
- Overheads
- Cash flow from operating and investing.

The overall financial health of the business is also included in the assessment.

50 per cent of awards are assessed against a range of non-financial performance measures including:

- Safety performance
- Progress against strategic initiatives
- Sustainability – progress towards our 2020 targets
- Our people – retention of critical talent and targets for women in leadership positions
- Our customers – measures in line with our customer framework.

The Board is committed to the safety and wellbeing of employees and is pleased to report that the year ended with no reportable fatalities, a return to the level of performance we expect after two disappointing years. No reduction has been applied to non-financial performance outcomes for senior executives on the basis of safety performance.

Consistent with the Lendlease culture of accountability, the Group CEO announced at the Annual General Meeting in November 2018 that he and the Board had agreed he would forego any STA for FY19.

The Board undertook an assessment of the Group CEO's 2019 scorecard and the results are included in the table over the page.

1. At June 2019, all values have been rounded off to the nearest million dollars unless otherwise indicated. **2.** A $53.6m company unfranked dividend was declared subsequent to the reporting date for June 2019. **3.** EPSS (Earnings per Stapled Security) is calculated using the weighted average number of securities on issue excluding treasury securities. EPSS, including treasury securities, is reported in the Performance and Outlook section of this report. **4.** Represents the movement in the Group's security price, distribution yield and any return on capital during the financial year. **5.** ROE is calculated as the annual Statutory Profit after Tax attributable to securityholders divided by the arithmetic average of beginning, half year and year end securityholders' equity.

Remuneration Report

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a. Executive Remuneration at Lendlease and 2019 Performance continued

Performance Measures For Year Ended 30 June 2019	Area of Focus	Reason Chosen	Result		Performance Assessment
Financial performance					
A range of financial measures that include specific targets for: - Profit after Tax - EBITDA - Return on Equity - Cash Flow from Operating and Investing - Overheads. An assessment of the overall financial health of the business: - Comparing the quality of the result relative to the targets set		A breadth of financial measures, in combination with the forward-looking assessment of the financial health of the business, focuses the Group CEO on the delivery of financial results in the short-term while taking decisions with an emphasis on the long-term interests of securityholders.	BELOW ABOVE		A summary of the result against each financial measure is below: **Profit after Tax** – Behind Target – Target increased by 6 per cent from $780m in FY18 to $830m in FY19. Actual Profit after Tax is 44 per cent below target for FY19 and 41 per cent below FY18. **EBITDA $** – Behind Target – Target increased by 7 per cent from $1,277m in FY18 to $1,367m in FY19. Actual EBITDA was $867m, behind target and down 30 per cent on FY18. **Return on Equity** – Behind Target – At 7.4 per cent, the result is significantly below the target range of 10 per cent – 14 per cent. **Operating and Investing Cash Flow** – Ahead of Target – Actual cash flow was $227m, and materially above target. **Overheads** – Behind Target – Overhead target reductions were exceeded, but reduction in NPAT resulted in Overhead / GPM ratio not being met. Group Profit after Tax is significantly below target as a result of underperformance in the Engineering business, however we have grown our pipeline and made positive steps to set up for the future in terms of how we work, managing projects more consistently and where we work. Our globally diverse pipeline provides long term earnings visibility: $76.1b development pipeline (c.61 per cent offshore), $15.6b construction backlog (excl. Engineering and Services), $35.2b Funds Under Management and $3.7b of investment positions. Our Strategy remains focused on our integrated model which leverages more than one operating segment across a diversified portfolio.
Non-financial performance (aligned to our five focus areas of value creation)					
Health and Safety		We are committed to the health and safety of our people. The Critical Incident Frequency Rate (CIFR) helps us assess how effective we are at eliminating life threatening incidents.	BELOW ABOVE		There were no reportable fatalities during FY19. The Group CEO provided visible health and safety leadership throughout the year. The Mums for Safety campaign elevated awareness and received external accolades, including a Silver Lion at the 2019 Cannes Lions International Festival of Creativity. In a culture and climate survey, more than 90 per cent of our people agreed that safety is a key priority in their teams and that Lendlease creates a culture of working safely. In FY19, the frequency rate of Critical Incidents was maintained at FY18 levels.
Strategic initiatives and managing risk		Effective capital management drives longer-term securityholder returns.	BELOW ABOVE		A strategic review of the Engineering and Services business is complete. The Group remains in a strong financial position with gearing at the bottom of the target range. The balance sheet remains resilient with total liquidity improving to $3.9 billion. Establishment of US $1b residential for rent partnership with First State Super. Significant efforts to shift our portfolio offshore with c.61% development pipeline located offshore. Key achievements on improving risk management include; enhanced reporting (embedding Enterprise Risks into the second line of defence risk management framework, internal audit plans and reporting framework, and into Board reporting); and strengthened first line of defence risk capability by appointing 'Voice of Risk' executive to every Regional Leadership Team to challenge and provide counterbalance.
Our Customers and innovation		Satisfied customers drive long-term value. Innovation contributes to better performance – capturing and responding to disruption creates opportunity.	BELOW ABOVE		Customer centricity has been further embedded within the business. During FY19, an increased number of business units completed research and nearly all regions and business units invested in externally conducted research through independent research agencies or via our own internal research unit. Overall, the global average for business unit performance for C-SAT[2] and NPS[3] declined slightly in FY19, off solid results in FY18. The appointment of a CEO Digital during the year marks a significant shift in our digital focus and has brought the disruption, innovation and digital agenda under one team.
Our People		Having the right people in leadership[1] roles is critical to long-term success. The Group CEO sponsors key people initiatives. The Group CEO actively promotes diversity and inclusion to grow capability.	BELOW ABOVE		The Group continues to invest in the development and deployment of talent across the Group, including our first Delivery Directors program aimed at developing leadership capability for our major construction projects, completing our third Inspire (senior leaders) program, and delivering our fourth Aspire program. Retention rates for talent segments was 94 per cent in FY19, ahead of our target of greater than 90 per cent. The proportion of women in leadership roles has increased from 24.3 per cent to 26.1 per cent, with the majority of business units exceeding their targets. The Group CEO continues to address the issue of gender pay at an industry level and is a member of the Property Male Champions of Change group. Targets for increasing senior leadership effectiveness, measured using Our People Survey, were not achieved. This will be a key priority for FY20.
Sustainability		Capital investors, policy-makers, customers and communities are seeking partners who can deliver efficient, healthy, resilient, culturally and socially inclusive outcomes which deliver long-term value.	BELOW ABOVE		During FY19, a new Sustainability Framework was developed which will help shape a new leadership platform for Lendlease in sustainability. We continue to maintain a leadership position against the Global Real Estate Sustainability Benchmarks (GRESB) Assessment, where the following achieved number one rankings – Australian Prime Property Fund (APPF) Commercial, Australian Prime Property Fund (APPF) Retail and International Towers Sydney Trust. Continued to monitor progress against our 20 per cent by 2020 reduction targets for energy, water and waste. Improvements have been reported against FY14 baseline for water; however some of our intensive construction projects have seen a decline from last year's results. Major earthworks at some remediation projects saw large quantities of contaminated soils sent to landfill, above that of FY14. Cumulative results for Q3 FY19 are as follows (subject to audit confirmation)[4]: • Energy: 17 per cent reduction[5] • Water: 8 per cent reduction[5] • Waste: 25 per cent increase[5]. Lendlease achieved recognition at the 94th percentile on the Dow Jones Sustainability Index, up from the 90th percentile in FY18.

1. Leadership roles include a number of levels in the Lendlease Career Job Framework, including executive level roles.

2. C-SAT measures whether customers were satisfied with our products and services. **3.** NPS measures whether our customers' experience fostered loyalty. **4.** The above performance is at March 2019 and is a cumulative measure. Full FY19 performance is subject to Limited Assurance by KPMG and will be available on www.lendlease.com in October 2019. **5.** Refer to Sustainability page 50 for detail around reported results.

Remuneration Report

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b. Executive Remuneration Outcomes and Disclosures

Comparison of remuneration tables

In this section, the value of remuneration for the Group CEO and each senior executive is included. In addition to the required statutory table (based on the accounting disclosures), we have included a further table setting out the remuneration awarded (page 103), and graphs showing the remuneration received (page 104), to provide a more complete illustration of our approach to executive remuneration. An explanation of the differences is set out below.

Disclosure	Awarded Table and Remuneration Received Graphs	Statutory Table
Period Covered	Remuneration disclosed relates to both time in their current role (as KMP) and any other role they have held at Lendlease during the financial year.	Only shows remuneration for the time the senior executive was KMP.
Fixed Remuneration	This includes the contractually awarded amount of Total Package Value (TPV)/Base Salary from 1 September 2018 or later. It excludes annual leave and long service leave accruals. For individuals employed for part of the year, only remuneration paid during the employment period is included.	The statutory disclosures include a value for cash salary, non monetary benefits, superannuation and other long-term benefits in line with statutory remuneration disclosure requirements. Non monetary benefits also includes the movement in annual leave accruals.
Short Term Award (STA)	The 2019 STA that will be paid as cash in September 2019 in respect of the 2019 financial year.	The 2019 STA that will be paid as cash in September 2019 in respect of the 2019 financial year.
Short Term Incentive (STI) Deferred	The STI was replaced by the STA in the 2019 financial year. No STI deferred securities were granted in relation to the 2019 financial year.	The accounting expense attributed to this financial year for Deferred STI awards granted in September 2017 and September 2018.
Total Short Term Remuneration	For 2019, the Total Short Term Remuneration refers to the sum of Fixed Remuneration and STA received. For 2018, this is the sum of Fixed Remuneration and Total STI received, which includes both the cash and deferred components of the 2018 award.	
Long Term Award (LTA)	The LTA replaces the LTI for this financial year. The Remuneration Awarded table shows the target face value of the 2019 LTA offered in November 2018. The 2019 LTA vests in September 2021, September 2022, September 2023 and September 2024 and the awards are subject to relative Total Securityholder Return (TSR) and average Return on Equity (ROE) performance hurdles (explained in detail on page 112).	The LTA is reported as part of the LTI equity settled section of the statutory disclosures. This is the accounting expense attributed to the 2019 financial year.
Long Term Incentive (LTI)	No LTI was granted to senior executives in this financial year as it was replaced by the LTA.	The accounting expense attributed to this financial year for LTI Awards made in the 2015, 2016, 2017 and 2018 financial years.
Prior STI and LTI Awards	The remuneration received graphs on page 104 show the value of any Deferred STI awards and LTI awards which vested during this financial year. The value shown represents the value of the awards at the grant date. Awards vested in September 2018. The Deferred STI awards which vested in September 2018 were granted in September 2016 and September 2017. The LTIs which vested in September 2018 were granted in September 2014 and September 2015.	
Security Price Growth and Distributions	In the remuneration received graphs, the value of security price growth and distributions paid between the grant date and the vesting date for STI and LTI awards which vested during the year. For awards that vested in September 2018, the value shown in the remuneration received graphs reflects the September 2018 security price rather than the price at the balance date. Cash equivalent distributions paid on the LTA Minimum are also included in the remuneration received graphs.	

Remuneration awarded by the Board for the year ended 30 June 2019

The remuneration awarded is set out in the table below.

Fixed remuneration changes were agreed for some senior executives as part of the transition to the new Executive Reward Strategy, endorsed by securityholders. The Group CEO was awarded a fixed pay increase for the first time since September 2011. The Board has reviewed senior executive remuneration and no further increases are anticipated for FY20. In addition, most executives and senior managers have had fixed remuneration frozen since May 2019.

$A000's[1]	Short Term		STA Opportunity		Total Short Term Remuneration		'At Risk' – Deferred to Future Periods: LTA 2019[5]			LTI 2018
Name	Fixed[2]	STA[3]	% of Target STA Paid	% of Maximum STA Paid	2019	2018[4]	Min	Target	Max[6]	Face Value[7]
Stephen McCann	2,200	-	0%	0%	2,200	3,784	500	3,700	5,550	3,300
Johannes Dekker[8]	1,200	125	25%	17%	1,325	298	500	1,600	3,200	-
Tarun Gupta	1,200	125	25%	17%	1,325	2,288	500	1,600	3,200	1,040
Denis Hickey	1,556	324	50%	33%	1,880	2,209	500	1,600	3,200	720
Daniel Labbad	1,309	273	50%	33%	1,582	2,067	500	1,600	3,200	890
Anthony Lombardo	1,093	227	50%	33%	1,320	1,876	500	1,600	3,200	790
Kylie Rampa	1,200	250	50%	33%	1,450	2,159	500	1,600	3,200	720
David Andrew Wilson	1,247	125	25%	17%	1,372	1,815	500	1,600	3,200	-

The LTA Target value is the new Long Term Award under the revised Executive Reward Strategy endorsed by securityholders in 2018. The LTA seeks to align remuneration potential with long-term securityholder outcomes. The 2019 grant has been set using a security price of $20.80. The performance period for this grant began on 2 July 2018 when the security price was $19.87. The impact of the Engineering underperformance will materially reduce the likelihood of the relative TSR performance component of the LTA vesting.

Remuneration received for the year ended 30 June 2019

Remuneration received during the year consists of:

Fixed remuneration	This includes the contractually awarded amount of Total Package Value (TPV)/Base Salary from 1 September 2018 or later. It excludes annual leave and long service leave accruals
2019 Short Term Award (STA)	The cash incentive payable in September 2019 following the end of the financial year
Prior year STI and LTI Awards	Made up of all Deferred STI and LTI awards from prior years that vested in the financial year (i.e. September 2018)
Security price growth and distributions	The value of security price growth and distributions paid between the grant date and the vesting date for STI and LTI awards which vested during the year

The Board made its decisions concerning the 2019 STA for senior executives during July and August 2019, once the final Group results were understood. The Group CEO's STA was determined earlier, at the time of the announcement of the underperformance in the Engineering business.

Prior year LTI awards that vested during the year were tested based on cumulative performance between the start of the year in which they were granted and the year ending 30 June 2018. These awards were released in September 2018 when the security price was $20.36. The value reported in the tables below reflects this security price.

Security price growth and distributions represents the shared 'gain' senior executives and securityholders have experienced over the life of awards. The table below illustrates the change for the awards that vested during the year.

Award	Grant price $	Vest price $ (1 Sept 2018)	Gain per security $	Distributions paid per security $	Total $
LTI 2015	13.53	20.36	6.83	2.98	9.81
LTI 2016	15.16	20.36	5.20	1.95	7.15

For more information on the impact of the security price performance on outstanding awards, refer to 'The Impact of Security Price Performance on Executive Remuneration and Holdings' on page 105.

1. All executives are paid in local currency but reported in the above table in AUD for 2019 based on the following 12 month average historic foreign exchange rates: GBP 0.55 (applied to Daniel Labbad), SGD 0.97 (applied to Anthony Lombardo), USD 0.71 (applied to Denis Hickey). **2.** Fixed remuneration includes the contractually awarded amount of Total Package Value/Base Salary (including the value of any benefits salary sacrificed) but excludes any allowances or non monetary benefits. **3.** The STA refers to the Short Term Award that replaces the STI for the Group CEO and senior executives for the year ended 30 June 2019, which is payable in cash in September 2019. **4.** The Total Short Term Remuneration for 2018 includes both the cash and deferred components of the STI determined as part of the 2018 STI award. 2018 remuneration is reported in AUD based on the 12 month average historic foreign exchange rates for 2018: GBP 0.57 (applied to Daniel Labbad), SGD 1.04 (applied to Anthony Lombardo), USD 0.77 (applied to Denis Hickey). **5.** The LTA refers to the Long Term Award that replaces the LTI for the Group CEO and senior executives for the year ended 30 June 2019. It is awarded on a face value basis. Refer to page 112 for a detailed explanation of LTA awards. **6.** The LTA provides for the opportunity for outperformance if performance hurdles are achieved above target. The maximum opportunity is 150% of target for the Group CEO and 200% of target for senior executives. **7.** LTI awards were granted on a face value basis in 2018. **8.** Johannes Dekker became KMP from 1 May 2018 when he commenced employment with Lendlease as Group Head of Engineering and Building. His 2018 remuneration represents the total remuneration awarded in that year.

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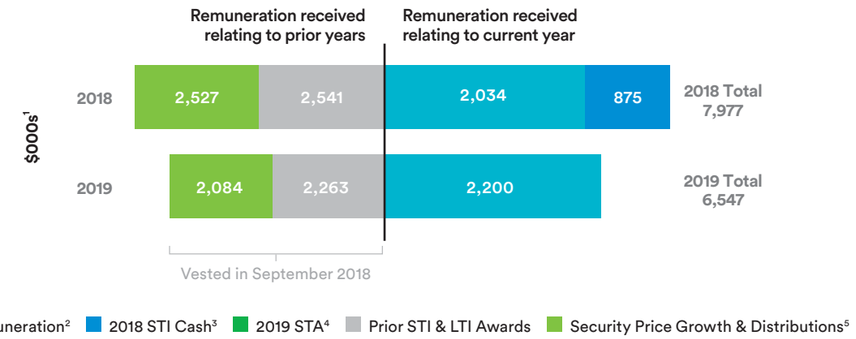
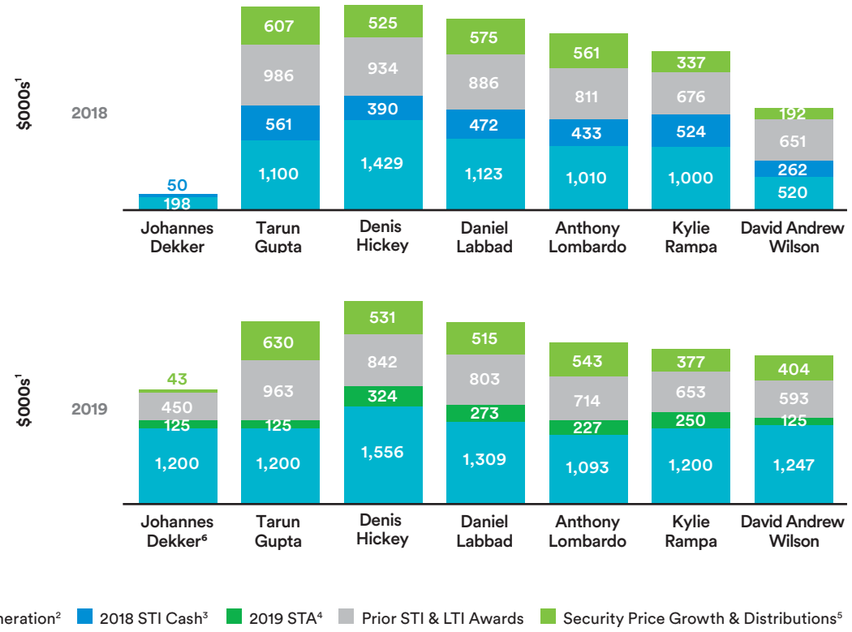
Remuneration Report

b. Executive Remuneration Outcomes and Disclosures continued

Remuneration received for the Group CEO during 2018 and 2019



Remuneration received for other senior executives during 2018 and 2019



1. All executives are paid in local currency but reported in the above table in AUD for 2019 based on the following 12 month average historic foreign exchange rates: GBP 0.55 (applied to Daniel Labbad), SGD 0.97 (applied to Anthony Lombardo), USD 0.71 (applied to Denis Hickey). For FY18 the following 12 month average historic foreign exchange rates have been used: GBP 0.57 (applied to Daniel Labbad), SGD 1.04 (applied to Anthony Lombardo), USD 0.77 (applied to Denis Hickey). **2.** Fixed remuneration includes the contractually awarded amount of Total Package Value/Base Salary (including the value of any benefits salary sacrificed) but excludes any allowances or non monetary benefits. **3.** 2018 STI Cash refers to the portion of the STI award for the year ended 30 June 2018 that was paid in cash in September 2018. **4.** STA refers to the Short Term Award that replaces the STI for the Group CEO and senior executives for the year ended 30 June 2019, which is payable in cash in September 2019. For the Group CEO, the value of his STA is zero. **5.** The value of security price growth and distributions includes the value of cash equivalent distributions on the 2019 LTA Minimum. More details about the LTA are included on page 112. **6.** For Johannes Dekker, his prior year awards relate to Sign-On Awards that were that were granted in May 2018. The Awards were delivered in two tranches, one as cash and the other as deferred securities, in September 2018.

The Impact of Security Price Performance on Executive Remuneration and Holdings

Impact on personal holdings and Short Term Incentives deferred from prior years

The security price decline following the announcement about underperformance in the Engineering business impacted both securityholders and executives.

The Group CEO and senior executives hold a large number of Lendlease securities and have experienced losses through the value of:

- Personal direct and indirect holdings
- Holdings restricted by the mandatory securityholding policy
- Short Term Incentives deferred into Lendlease securities from prior years.

The table below shows details of the loss in value of interests of senior executives held by them at 8 October 2018 and that were still held at 30 June 2019. 8 October 2018 is the first date at which all senior executives were restricted from trading after STI and LTI awards from prior years had vested, which occurred in September 2018. Interests (including mandatory security holdings, unvested deferred awards and personal holdings), held by senior executives on that date, that were still held at 30 June 2019, fell in value by approximately 29 per cent. The aggregate decline in value for all senior executives disclosed in this report was more than $8.4m. The Group CEO saw the value of his 8 October 2018 interests fall by more than $4.0m.

	Balance held on 8 October still held on 30 June 2019 (inc Unvested Deferred STI)	Value of balance held at 8 October 2018 $	Value of 8 October 2018 balance still held at 30 June 2019 $	Loss in Value $
Stephen McCann	751,611	13,837,159	9,770,943	(4,066,216)
David Andrew Wilson	230,052	4,235,257	2,990,676	(1,244,581)
Tarun Gupta	167,380	3,081,466	2,175,940	(905,526)
Daniel Labbad	109,703	2,019,632	1,426,139	(593,493)
Kylie Rampa	107,713	1,982,996	1,400,269	(582,727)
Anthony Lombardo	93,441	1,720,249	1,214,733	(505,516)
Denis Hickey	76,568	1,409,617	995,384	(414,233)
Johannes Dekker	30,978	570,305	402,714	(167,591)

Impact on Long Term Incentives granted in prior years

Remuneration in the form of awards that are subject to performance hurdles have, and will continue to be, impacted by the results of FY19. The vesting potential of five tranches of Long Term Incentives granted in prior years will be influenced by the security price decline and financial results of FY19. This is illustrated in the diagram below.

Performance measured over financial year

Long Term Awards	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
2016 LTI grant – 4 Year Tranche				2019 financial performance will impact vesting outcomes for each of these awards		
2017 LTI grant – 3 Year Tranche						
2017 LTI grant – 4 Year Tranche						
2018 LTI grant – 3 Year Tranche						
2018 LTI grant – 4 Year Tranche						

The movement in the Lendlease security price has directly impacted the relative TSR component of the awards shown above. Based on relative TSR performance test outcomes between the start of the performance period and 30 June 2019, all of these awards are currently without value. Cumulative performance for each outstanding award is shown below.

Long Term Incentives	Grant Price $	Performance Period to Date relative TSR	Vesting Based on Cumulative Performance	Performance Period to Date Average ROE	Vesting based on Cumulative Performance	Overall Proportion of Performance Securities Vesting
2016 LTI grant – 4 Year Tranche	15.16	12th percentile	0%	11.5%	34.4%	16.0%
2017 LTI grant – 3 Year Tranche	13.49	26th percentile	0%	11.0%	25.0%	11.6%
2017 LTI grant – 4 Year Tranche	13.49	26th percentile	0%	11.0%	25.0%	11.6%
2018 LTI grant – 3 Year Tranche	16.44	15th percentile	0%	10.1%	2.5%	1.3%
2018 LTI grant – 4 Year Tranche	16.44	15th percentile	0%	10.1%	2.5%	1.3%

Impact on the value of Long Term Awards granted in 2019

The number of performance rights issued under the Long Term Award granted during FY19 used a volume-weighted average security price (VWAP) that was set with reference to the 20 trading days immediately prior to the announcement of the Group results for the year ending 30 June 2018. This VWAP was $20.80.

Like other Long Term Incentives granted in prior years, the likelihood for the new Long Term Award to vest in excess of the minimum has reduced.

At the balance date of 30 June 2019, the value of the minimum of these awards is now 37.5 per cent lower than when the VWAP was set.

Under the new Executive Reward Strategy a larger proportion of senior executives' remuneration is tied to securityholder returns, more than 50 per cent for the Group CEO. This strengthens alignment with securityholders' interests and reinforces the link between remuneration outcomes and performance into the future.

1. More information concerning the Lendlease Securities Trading Policy can be found on page 109.

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b. Executive Remuneration Outcomes and Disclosures continued

Statutory disclosures – Remuneration of the Group CEO and senior executives for the years ended 30 June 2019 and 2018

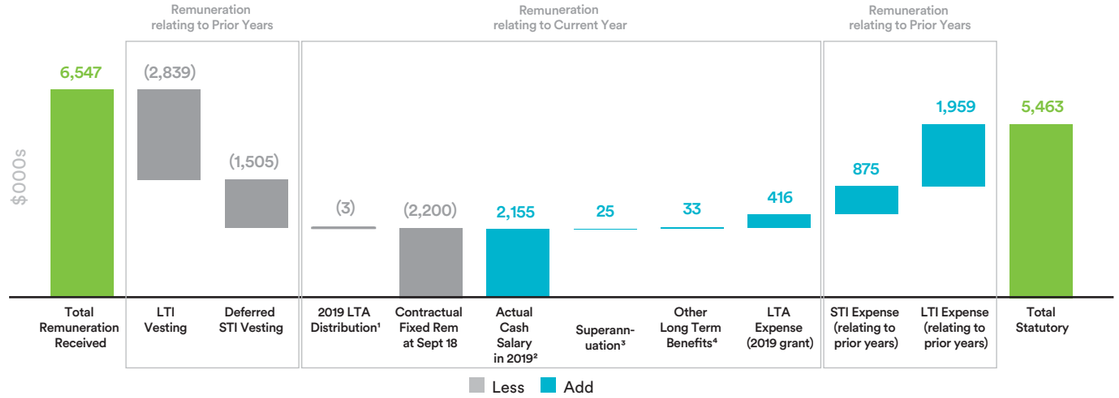
Statutory disclosures are included in the table below. Short Term Benefits, Post Employment Benefits and Other Long Term Benefits relate to remuneration for the year. Values in the Security Based Payments columns reflect the accounting expense attributed to this year for STI and LTI awards from prior years, and the LTA from this year.

$000s[1]	Year	Short Term Benefits: Cash Salary[2]	Short Term Benefits: STI Cash[3]	Short Term Benefits: Non Monetary Benefits[4]	Post Employment Benefits: Superannuation[5]	Other long term benefits[6]	Sub-total	Security Based Payments[7]: LTI	Security Based Payments[7]: STI Deferred	Total
Executive Director										
Stephen McCann	2019	2,155	-	-	25	33	2,213	2,375	875	5,463
	2018	2,014	875	-	20	30	2,939	2,483	948	6,370
Senior executives										
Johannes Dekker[8]	2019	1,191	125	287	11	230	1,844	708	318	2,870
	2018	195	50	198	3	122	568	-	151	719
Tarun Gupta	2019	1,166	125	-	21	-	1,312	757	635	2,704
	2018	1,080	561	-	20	1	1,662	648	677	2,987
Denis Hickey	2019	1,558	324	251	-	-	2,133	588	467	3,188
	2018	1,429	390	50	11	-	1,880	461	624	2,965
Daniel Labbad	2019	1,311	273	284	113	-	1,981	669	519	3,169
	2018	1,145	472	75	99	-	1,791	544	601	2,936
Anthony Lombardo	2019	1,094	227	291	-	-	1,612	655	425	2,692
	2018	1,010	433	226	-	-	1,669	555	389	2,613
Kylie Rampa	2019	1,149	250	3	21	18	1,441	538	593	2,572
	2018	967	524	11	20	15	1,537	362	504	2,403
David Andrew Wilson	2019	1,287	125	-	21	18	1,451	735	278	2,464
	2018	511	262	43	9	8	833	282	139	1,254

1. All executives are paid in local currency but reported in the above table in AUD for 2019 based on the following 12 month average historic foreign exchange rates: GBP 0.55 (applied to Daniel Labbad), SGD 0.97 (applied to Anthony Lombardo), USD0.71 (applied to Denis Hickey). For FY18 the following 12 month average historic foreign exchange rates have been used: GBP 0.57 (applied to Daniel Labbad), SGD 1.04 (applied to Anthony Lombardo), USD 0.77 (applied to Denis Hickey). **2.** Cash salary includes the payment of cash allowances such as motor vehicle allowance and cash equivalent distributions on the 2019 Long Term Award minimum. For David Andrew Wilson, the value includes back pay of salary relating to 2018. **3.** Short Term Incentive (STI) Cash refers to the Short Term Award for the year ended 30 June 2019 that will be paid in cash in September 2019. **4.** Non monetary benefits may include items such as car parking, relocation and expatriate benefits (such as house rental, health insurance, shipping of goods and tax return preparation), motor vehicle costs, travel benefits and annual leave. **5.** Superannuation includes the value of insurance premiums funded by Lendlease for Australian executives who are members of the Lendlease default superannuation fund and pension contributions for non Australian based executives. For Daniel Labbad, the value includes an allowance paid in lieu of pension contributions. **6.** Other long term benefits represent the accrual of long term leave entitlements (e.g. long service leave). **7.** The amounts for security based payments reflect the accounting expense on a fair value basis. **8.** For Johannes Dekker, amounts under Other Long Term Benefits, STI Deferred and LTI include the pro rated accounting expense of future payments relating to remuneration foregone on resignation from his previous employer, and a retention award relating to the strategic review of the Engineering and Services business.

Reconciliation of 2019 statutory remuneration with Remuneration Received for the Group CEO

The following table shows the difference between the Group CEO's Remuneration Received (page 104) and the Statutory Disclosure (page 106).



Long Term Incentive performance

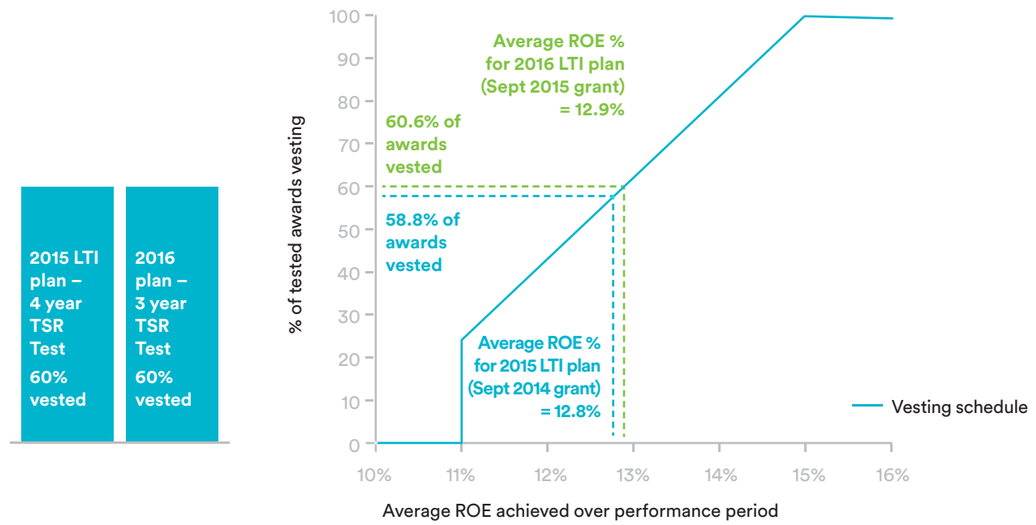
During 2019, two LTI awards were subject to performance testing. The performance hurdles were relative Total Securityholder Return (TSR) and average Return on Equity (ROE). Each hurdle is tested over a three and four year performance period. The outcomes are shown below.

2015 Award

The four year relative TSR test was conducted in July 2018. Lendlease's relative TSR performance achieved the 55th percentile when compared to the comparator group over the period from 1 July 2014 to 30 June 2018. As a result, 60 per cent of the tested award vested.
The four year average ROE test was also conducted in July 2018. Lendlease's four year average ROE performance was 12.8 per cent over the period from 1 July 2014 to 30 June 2018. As a result, 58.8 per cent of the tested award vested.

2016 Award

The three year relative TSR test was conducted in July 2018. Lendlease's relative TSR performance achieved the 55th percentile when compared to the comparator group over the period from 1 July 2015 to 30 June 2018. As a result, 60 per cent of the tested award vested.
The three year average ROE test was also conducted in July 2018. Lendlease's three year average ROE performance was 12.9 per cent over the period from 1 July 2015 to 30 June 2018. As a result, 60.6 per cent of the tested award vested.
The four year relative TSR and four year ROE tests for this award are scheduled for July 2019 and the results will be shown in the 2020 Remuneration Report.



1. 2019 LTA Distribution refers to the cash equivalent distributions paid on the Award Minimum of the Long Term Award (LTA). More details of the LTA are on page 112. **2.**There is a difference between Actual Cash Salary received during 2019 and the contractually awarded Fixed Remuneration (excluding superannuation), as the Group CEO received a pay increase in September 2018. The value of cash equivalent distributions on the Award Minimum of the 2019 LTA are also included here. **3.** Superannuation includes the value of insurance premiums paid by Lendlease. **4.** Other Long Term Benefits represent the accrual of long term leave entitlements (e.g. long service leave).

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c. Remuneration Governance

Robust governance is a critical part of Lendlease's approach to executive remuneration.

Board

The Board has overall responsibility for executive remuneration at Lendlease. The Board assesses the performance of, and determines the remuneration outcome for the Group CEO.

People and Culture Committee

The Committee's agenda reflects the importance of human capital to the Group's strategy and business planning, and it assists the Board in establishing appropriate policies for people management and remuneration across the Group. A description of the People and Culture Committee's scope can be found on page 90.

Management

Management makes recommendations to the People and Culture Committee in relation to developing and implementing the Executive Reward Strategy and structure. The Group CEO also provides his recommendations on fixed pay and Short Term Award (STA) outcomes for his direct reports for approval by the People and Culture Committee.

Independent Remuneration Advisor (PwC)

The Board has appointed PwC as its independent remuneration advisor. Strict governance protocols were observed to ensure PwC's advice to the People and Culture Committee was made free from undue influence by Key Management Personnel (KMP). The following arrangements were made to ensure that PwC's advice was free of undue influence:

- PwC was engaged by, and reported directly to, the Chair of the People and Culture Committee
- The agreement for the provision of remuneration consulting services was executed by the Chair of the People and Culture Committee on behalf of the Board
- Reports delivered by PwC were provided by PwC directly to the Chair of the People and Culture Committee
- PwC was permitted, where approved by the People and Culture Committee Chair, to speak to management to understand company processes, practices and other business issues and obtain management's perspectives.

As a consequence, the Board is satisfied that advice provided by PwC was made free from undue influence from any of the KMP.

During the year, PwC did not provide a remuneration recommendation as defined in Section 9B of the *Corporations Act 2001*.

PwC did not conduct remuneration benchmarking for KMP in 2019.

Setting remuneration levels

Lendlease benchmarks remuneration mix and levels to confirm market competitive total rewards for on target performance, and total rewards above the market median if outstanding performance is achieved

Remuneration is reviewed annually by the People and Culture Committee for the Group CEO and senior executives (or during the year if there are any role changes or new senior executive appointments).

Primary Sources of Data	The People and Culture Committee typically uses a number of sources for benchmarking Group CEO and senior executive remuneration including: • Data provided by the Board's remuneration advisor about remuneration for similar roles in companies of a similar size, such as: - comparable roles in companies listed on the ASX that are ranked between 26 and 75 by market capitalisation (excluding companies domiciled overseas and property trusts where management is not typically employed by the trust) - comparable roles in ASX listed companies with revenue of between 50 and 200 per cent of Lendlease's revenue • Publicly available data for comparable roles at organisations in Australia such as CIMIC, Mirvac and Stockland • Published remuneration surveys, remuneration trends and other data sourced from external providers.
Market Positioning	The People and Culture Committee has adopted a tiered approach to setting pay levels, with a target remuneration mix defined for senior executives at each tier as part of changes implemented in 2019. For more information, please see page 97. A target fixed and total remuneration position is set for each tier, which is established with reference to the market median and 75th percentile, benchmarked against a number of 'anchor roles'.
Application of Data to Lendlease Senior Executives	The People and Culture Committee adopts the following principles when considering data and its application to setting pay: • Understanding the relative size, scale and complexity of the organisations in the data set (so that a fair comparison can be made to organisations with similar global breadth and operational complexities as Lendlease) • Understanding the relative size, scale and complexity of the roles in the data set • Aligning reward opportunity across similarly sized roles, supporting a team approach and facilitating mobility among senior executives • For senior executives based outside Australia, target pay is adjusted to account for cost of living, housing and currency differences, to achieve similar pay levels.

Mandatory securityholding

The mandatory securityholding requires the Group CEO and senior executives to hold a minimum number of Lendlease securities so that they have a significant personal investment in Lendlease and they consider long-term securityholder value when making decisions.

The Group CEO and other senior executives are required to accumulate and maintain a holding of Lendlease securities calculated with reference to their fixed remuneration (divided by the security price to determine the number of securities that must be held). In the case of:

- The Group CEO – the requirement is 150 per cent of Total Package Value (TPV)
- Senior executives – the requirement is 100 per cent of TPV or 100 per cent of base salary for senior executives outside of Australia.

The mandatory securityholding for each senior executive is outlined in the Equity Based Remuneration tables on page 120.

Personally held securities may be counted towards the mandatory securityholding requirement. Unvested deferred securities and unvested awards under the previous STI and LTI do not count towards this mandatory holding. Under the new Long Term Award (LTA), the minimum number of performance rights will count toward the mandatory holding.

Until such time as the senior executive meets the mandatory securityholding requirements, Lendlease imposes a disposal restriction on 50 per cent of any senior executives' Deferred STI, LTI or LTA that vests (for senior executives based in Australia). This disposal restriction means that the senior executive will not be able to sell these securities until such time as Lendlease agrees to lift the disposal restriction.

Senior executives based outside of Australia are required to achieve the mandatory holding requirement within six years of their appointment to a Key Management Personnel (KMP) role.

Securities Trading Policy

The Lendlease Securities Trading Policy applies to all employees of the Lendlease Group. In accordance with the policy, Directors and senior executives may only deal in Lendlease securities during designated periods. Directors and senior executives must not enter into transactions or arrangements that operate to limit the economic risk of unvested entitlements to Lendlease securities. No Director or senior executive may enter into a margin loan arrangement in respect of Lendlease securities.

Hedging

Deferred STI, LTI and LTA awards are subject to the Securities Trading Policy which prohibits executives from entering into any type of 'protection arrangements' (including hedging, derivatives and warrants) in respect of those awards before vesting.

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d. How Executive Rewards are Linked to Performance

Short Term Award (STA)

STAs are based on performance against a scorecard of financial and non-financial measures

This section presents a summary of the key features of the 2019 STA plan. Page 111 shows the key differences between the STA and the previous Short Term Incentive (STI), for which some awards remain on-foot. The key features of the 2019 STA are outlined in the table below:

STA Design	How the STA Works
STA Quantum	• Under the 2019 STA, the amount of STA achieved at target has been reduced compared to prior years and has been set with reference to the Group CEO and senior executive target remuneration mix set out on page 97.
STA Funding	• The pool of funds available to reward executives under the STA plan is determined by direct reference to Group financial performance. • In determining the pool of funds available, the Board examines safety performance, and the overall health of the business, which considers a broader set of metrics around origination, sustainability and how we have managed risk.
STA Targets and Opportunity	• The minimum possible STA outcome is zero and the maximum STA outcome is limited to 150 per cent of the senior executive's target STA opportunity.
STA Key Performance Indicators	• STA outcomes are based on performance during the financial year, primarily measured through the use of the Group CEO and senior executive scorecards. • The Group CEO 2019 scorecard (approved by the Board) and performance against the scorecard is set out in summary on pages 100 and 101. The Group CEO agreed that he would forego his FY19 STA as a result of the underperformance in the Engineering business. • Lendlease is committed to the safety and wellbeing of all of its employees. The Board considers safety leadership behaviours and outcomes in assessing the overall performance of the Group CEO and each senior executive. While the assessment is not structured formulaically or as a 'gateway' measure, expectations are clearly communicated to the Group CEO and senior executives that poor health and safety outcomes may lead to reduction in STA outcomes for the year. No reductions were applied in FY19 as a result of safety outcomes. • The People and Culture Committee considers feedback from the direct reports and teams of each senior executive. In this way the STA considers 'what' is achieved as well as 'how' it is achieved.
How The STA is Delivered	• As part of the Executive Reward Strategy (ERS) changes that were implemented during 2019, the STA is delivered as cash in September following the end of the performance year.

Prior Year Short Term Incentive (STI)

Key features of the 2017 and 2018 STI plans are the same as the 2019 STA, except for the following which apply to the 2017 and 2018 STI plans only.

STI Design	How the STI Works
How the STI is Delivered	• The STI award is delivered as a mix of cash and Deferred STI, which is settled in Lendlease securities or cash as determined by the Board. • For STI awards 'up to target', 50 per cent of the award was paid in cash in September following the end of the performance year. The remaining 50 per cent is deferred – half of which vests one year after the grant and the other half vests after two years. Deferred STI awards are held in an employee share plan trust until vesting. • For 'above target' STI awards, the above target portion was delivered one-third as cash and two-thirds deferred on the same basis as set out above. • Distributions are not paid on any unvested Deferred STI for the Group CEO and senior executives; however, the value of any distributions made during the vesting period is taken into consideration in calculating the amount of Lendlease securities or cash provided on vesting. • To satisfy Deferred STI awards, securities were purchased on market around September 2017 and September 2018 respectively.
Malus	• The Board has the discretion to forfeit part or all of any unvested Deferred STI awards prior to their vesting where it considers vesting would provide a participant with a benefit that was unwarranted or inappropriate. The Board may delay vesting of any unvested Deferred STI in the event it is reviewing whether to exercise discretion to reduce or forfeit unvested awards.
Treatment of Deferred STI on Termination	• Malus provisions work alongside the Deferred STI terms to provide discretion for the Board to adjust unvested awards on termination of employment. In particular: - If an employee is terminated for fraud or other serious misconduct, unvested Deferred STI awards will lapse - Where an employee is terminated for poor performance, the number of unvested Deferred STI awards can be adjusted downwards - Deferred STI awards are forfeited by the individual if they resign during the vesting period. • For 'good leavers', the Deferred STI awards may remain on-foot until the original vesting date, subject to the original terms. In exceptional circumstances (such as death or total and permanent disability), the Board may exercise its discretion and pay the award at the time of termination of employment.

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d. How Executive Rewards are Linked to Performance continued

Long Term Award (LTA)

The key features of the LTA plan are set out in the table below. Page 113 shows the key differences between this award and awards from prior years, some of which remain on-foot.

LTA Design	How the LTA Works
Objective	• Reward executives for delivering on Lendlease's strategy and for delivering sustained long-term securityholder value • Align the interests of senior executives and securityholders.
Eligibility	An annual grant of 'performance rights' is made to a limited number of senior executives on a face value basis.
Determining the Number of Performance Rights	The number of performance rights allocated is based on the volume weighted average price (VWAP) of stapled securities traded on the ASX over the 20 trading days prior to the release of the full year results for the financial year ending 30 June preceding the grant date.
Instrument	• The award is delivered as a target number of 'performance rights' to acquire securities. The number of 'performance rights' is adjusted up or down at vesting based on performance over the assessment period • The Board intends that the awards be settled in Lendlease securities, although the award may be settled in cash or other means at the Board's discretion.
Deferral	• Once the award has been determined, awards are retained and released in four equal tranches over a further three year period.
Performance Period	• Three years. The performance period was chosen as the Board believes that the timeframe appropriately reflects a balance between reward that motivates executives while reflecting the 'long tail' of profitability and risk associated with 'today's decisions'.

Performance Hurdles

Market Measure 50%

Relative Total Shareholder Return (RTSR)

- Total Shareholder Return is measured by the growth in share price and any dividends/distributions paid during the performance period
- Relative TSR is measured against companies that comprise the Standard & Poor's (S&P)/Australian Securities Exchange (ASX) 100 index
- Maximum vesting is achieved if TSR performance is at or above the 75th percentile.

Non Market Measure 50%

Average Return On Equity (ROE)

- ROE is calculated by dividing the annual statutory Profit after Tax by the weighted average equity for the year
- Average ROE will be based on the average of ROE results over the three year performance period
- Target and maximum ROE are set by the Board for each three year period and are set with reference to the Group's Portfolio Management Framework.

Vesting Schedule

Relative TSR Percentile Ranking	% of Target Award Vesting	
	Group CEO	Senior Executives
Below the 50th*	13.50%	31.25%
At the 50th	50%	50%
At or above the 51st and below the 75th	Pro rata straight line vesting between 54% and 146%	Pro rata straight line vesting between 56% and 194%
75th or greater	150%	200%

*Below the 50th percentile vesting is at the award minimum

Average ROE	% of Target Award Vesting	
	Group CEO	Senior Executives
10% or less*	13.50%	31.25%
Between 10% and target ROE set by the Board	Pro rata straight line vesting between 13.5% and 100%	Pro rata straight line vesting between 31.25% and 100%
At target set by the Board	100%	100%
Between target set by the Board and 14%	Pro rata straight line vesting between 100% and 150%	Pro rata straight line vesting between 100% and 200%
At 14% or above	150%	200%

*At 10% or less vesting is at the award minimum

LTA Design	How the LTA Works
Performance Measure Selection	• The Board believes that these measures, combined with other features of 'at risk' remuneration at Lendlease, provide a suitable link to long-term securityholder value creation because: - Total Securityholder Return incentivises senior executives to deliver returns that outperform what a securityholder could achieve in the market and promotes management to maintain a strong focus on securityholder outcomes - Return on Equity (ROE) reflects the capital intensive nature of Lendlease's activities and is an important long-term measure of how well the management team generates acceptable earnings from capital invested and rewards decisions in respect of developing, managing, acquiring and disposing of assets • The Group's currently stated ROE target range is 10 to 14 per cent • The Board believes that the vesting range provides a realistic goal at the lower end (in the context of risk free rates of return, cost of capital and market consensus) and a stretch at the upper end • The hurdles are reviewed annually by the Board with the aim of setting an average ROE hurdle range that will drive outperformance without incentivising excessive risk taking. The Board also has governance protocols in place to monitor levels of net debt and is conscious of the impact that debt can have on the ROE result • While the Board appreciates that there are at times different views held by different stakeholders, we believe that these measures provide the appropriate balance between market and non market measures.
Award Target	The amount of LTA achieved at target has been set with reference to: • the Group CEO and senior executive target remuneration mix set out on page 97 and • having regard to the benchmark data and market positioning as described on page 109.
Award Minimum	• Promotes alignment with securityholders as a portion of target remuneration is delivered in Lendlease securities • This balances the dominant weighting of Long Term Awards in the pay mix and better aligns reward to risk management.
Award Maximum	Opportunity to earn an award above target for outperformance across both performance hurdles.
Retesting	There is no retesting of the LTA. If the performance hurdle is not met at the time of testing, the awards are forfeited.
Distributions	Distributions are paid on the award minimum as 'cash equivalents' during the performance period, and as an adjustment of additional securities or cash to any awards that vest in excess of the minimum.
Malus	• The Board may adjust the number of performance rights downwards prior to the date of vesting in the case of a material misstatement of the Group's financial accounts • The number of 'performance rights' can be reduced in circumstances where the Board considers that delivery of all or part of the award would result in a benefit that is unwarranted or inappropriate.
Termination of Employment	• If the executive is terminated for cause, the unvested LTA lapses • If the executive is terminated for poor performance, the Board can adjust unvested LTA prior to the vesting date • For 'good leavers', including executives who resign but do not engage in activities that are competitive with the Group, the LTA grant may remain on-foot subject to the original performance hurdle.

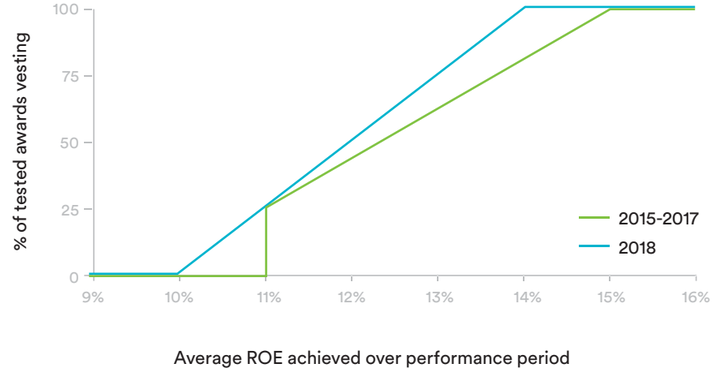
Prior year Long Term Incentive Awards

Key differences between the LTI plan for the years 2015-2018 and the current LTA plan are as follows:

- LTI awards for 2015-2017 were allocated on a fair value basis
- A target number of performance securities were awarded under the LTI plan. There is no opportunity to earn an award above target for outperformance, nor is there a minimum award delivered if performance hurdles are not met
- For LTI awards, 50 per cent of the performance securities are assessed over a three year period, and the remaining 50 per cent are assessed after four years
- Under the LTI plan, in exceptional circumstances (such as death or total and permanent disability), the Board may exercise its discretion and pay the award at the time of termination of employment.

The vesting schedules for LTI awards on-foot are shown below:

Relative TSR Percentile Ranking	Percentage of relative TSR performance securities that vest if the hurdle is met
Below the 50th percentile	No vesting
At the 50th percentile	50% vesting
At or above the 51st percentile but below the 75th percentile	Pro rata vesting on a straight line basis between 52% and 98%
At the 75th percentile or greater	100% vesting



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e. How Risk Management is Incorporated into Executive Reward

The Board has placed a significant focus on incorporating risk management into the reward framework.

Governance	• The establishment of a separate Risk Committee, of which all Directors are a member, has allowed the Board agenda to be restructured to focus on strategy, culture, customer outcomes, reputation, performance and succession planning. Drawing all risk elements under a single committee allows for risk management to be considered in an integrated fashion • The Chairs of both the Risk Committee and the Audit Committee are members of the People and Culture Committee • The Board has overall responsibility for remuneration decisions concerning senior executives • The People and Culture Committee regularly considers matters outside of remuneration – including organisational culture, talent development and succession, and feedback from employees through Our People Survey.
A Holistic Performance Assessment to Determine Short Term Award (STA) Outcomes	• A risk adjustment is considered in the determination of the performance assessment of senior executives • The Group Chief Financial Officer and the Group Chief Commercial and Risk Officer jointly present to the People and Culture Committee on the 'Health of the Business' when the Committee is considering year end STA outcomes • The Board determines the weighting of both financial and non-financial performance for STA and communicates this in executive scorecards.
Mandatory Securityholding	• The Group CEO is expected to accumulate and maintain a securityholding of 150% of his TPV • Senior executives are expected to accumulate and maintain a securityholding of 100% of their TPV or base salary for senior executives outside of Australia • While senior executives' holdings are below their mandatory securityholding level, a restriction is placed on half of any securities that vest (for senior executives in Australia).
Deferral	• The Long Term Award (LTA) for senior executives has a six year time horizon, tested after three years and progressively vesting over the next three years – reflecting the long-dated nature of our projects. The LTA represents approximately half of senior executives' total target remuneration.
Forfeiture and Malus	• Awards are lapsed if senior executives resign to work for competitor organisations • If senior executives are considered to be a 'good leaver', awards are retained beyond the cessation of employment. The Board believes that this appropriately motivates executives to make decisions in the long-term interests of the Company • The Board retains an overarching discretion to reduce or forfeit any unvested awards (during the deferral period beyond the performance testing period) if it considers that vesting of such awards would result in the participant receiving a benefit that was unwarranted or inappropriate.
Board Discretion	• The Board makes, reviews and approves decisions concerning executive remuneration throughout the year • The Board uses its discretion to influence individual outcomes or to steer management toward appropriate outcomes based on a culture of accountability. Recent examples include: - The announcement the Group CEO made concerning his STA for FY19 - Significantly reduced STA outcomes in FY19 for senior executives when compared to FY18 - Reductions in the overall STI pool made available to the Group during FY17 and FY18 as a consequence of the fatalities in those years.

f. Executive Contracts

KMP employment contracts

Each KMP has an ongoing employment contract. All KMP have termination benefits that are within the limit allowed by the *Corporations Act 2001* without securityholder approval.

Contracts also set out the treatment on termination for other reasons including, but not limited to, resignation, termination with notice and termination for cause. The Group may make a payment in lieu of notice.

Key terms for each KMP are set out below:

	Notice by Lendlease	Notice by Executive	Treatment on Termination with Notice by Lendlease
Stephen McCann	12 months	6 months	In the case where the Group CEO is not employed for the full period of notice, a payment in lieu of notice may be made. The payment in lieu of notice includes pro rata fixed remuneration and the cash value of statutory entitlement and benefits
Johannes Dekker[1]	12 months	6 months	Notice payment is based on Total Package Value. Payment for accrued leave is based on Total Package Value less superannuation
Tarun Gupta	6 months	6 months	Notice payment is based on Total Package Value. Payment for accrued leave is based on Total Package Value less superannuation
Denis Hickey	6 months	6 months	Notice payment is based on base salary and other minimum benefits as required by applicable United States legislation
Daniel Labbad	9 months	6 months	Notice payment and accrued leave is based on base salary
Anthony Lombardo	12 months	6 months	Notice payment and accrued leave is based on base salary
Kylie Rampa	6 months	6 months	Notice payment is based on Total Package Value. Payment for accrued leave is based on Total Package Value less superannuation
David Andrew Wilson	6 months	6 months	Notice payment is based on Total Package Value. Payment for accrued leave is based on Total Package Value less superannuation

Additional disclosure for the Group CEO contract

In addition, the Group CEO has a non compete notice period of 12 months and a non solicitation period of 12 months.

Upon termination the Group CEO:

- May continue to receive an STA award for the latest financial year based on an assessment of his performance by the Board
- LTA and LTI will be treated in accordance with the plan rules at that time
- Deferred STI awards from prior years will remain on-foot in certain mutually agreed termination circumstances.

1. Notice by Lendlease for the first four years of employment is 12 months and reverts to 6 months notice by Lendlease thereafter.

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g. Equity Based Remuneration

Deferred securities

During 2019, Deferred Short Term Incentives (STI) were granted to the Group CEO and senior executives that related to the 2018 STI award (from the prior year). These represented the Deferred STI component of the 2018 STI award. Details of Deferred STI awards are set out in the following table:

Name	Plan	STI Award Performance Year	Grant Date	Vesting Date	Number Granted	Fair Value Per Deferred Security[1] $	Total Fair Value At Grant Date[1,2] $	Expense For the Year Ended 30 June 2019 $	% Vested	% Forfeited
Group CEO										
Stephen McCann	Deferred STI	2016	Sept 2016	Sept 2018	43,434	13.43	583,336	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2018	26,725	16.37	437,512	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2019	26,725	16.37	437,512	218,756	-	-
	Deferred STI	2018	Sept 2018	Sept 2019	22,434	19.50	437,510	437,510	-	-
	Deferred STI	2018	Sept 2018	Sept 2020	22,434	19.50	437,510	218,755	-	-
Total					**141,752**		**2,333,380**	**875,021**		
Current Senior Executives										
Johannes Dekker[3]	Sign-On Award	2017	May 2018	Sept 2018	14,225	17.57	250,000	125,000	100%	-
	Sign-On Award	2017	May 2018	Sept 2019	8,535	17.57	150,000	112,500	-	-
	Sign-On Award	2017	May 2018	Sept 2020	5,690	17.57	100,000	42,857	-	-
	Deferred STI	2018	Sept 2018	Sept 2019	1,264	19.79	25,015	25,015	-	-
	Deferred STI	2018	Sept 2018	Sept 2020	1,264	19.79	25,015	12,508	-	-
Total					**30,978**		**550,030**	**317,880**		
Tarun Gupta	Deferred STI	2016	Sept 2016	Sept 2018	26,324	13.79	363,013	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2018	19,285	17.11	330,004	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2019	19,285	17.11	330,004	165,002	-	-
	Deferred STI	2018	Sept 2018	Sept 2019	15,842	19.79	313,519	313,519	-	-
	Deferred STI	2018	Sept 2018	Sept 2020	15,842	19.79	313,519	156,760	-	-
Total					**96,578**		**1,650,059**	**635,281**		
Denis Hickey	Deferred STI	2016	Sept 2016	Sept 2018	23,642	13.79	326,028	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2018	17,966	17.11	307,434	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2019	17,966	17.11	307,434	153,717	-	-
	Deferred STI	2018	Sept 2018	Sept 2019	10,554	19.79	208,868	208,868	-	-
	Deferred STI	2018	Sept 2018	Sept 2020	10,554	19.79	208,868	104,434	-	-
Total					**80,682**		**1,358,632**	**467,019**		
Daniel Labbad	Deferred STI	2016	Sept 2016	Sept 2018	19,302	13.79	266,178	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2018	18,234	17.11	312,020	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2019	18,234	17.11	312,020	156,010	-	-
	Deferred STI	2018	Sept 2018	Sept 2019	12,234	19.79	242,115	242,115	-	-
	Deferred STI	2018	Sept 2018	Sept 2020	12,234	19.79	242,115	121,058	-	-
Total					**80,238**		**1,374,448**	**519,183**		
Anthony Lombardo	Deferred STI	2016	Sept 2016	Sept 2018	20,121	13.79	277,473	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2018	9,753	17.11	166,893	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2019	9,753	17.11	166,893	83,447	-	-
	Deferred STI	2018	Sept 2018	Sept 2019	11,517	19.79	227,926	227,926	-	-
	Deferred STI	2018	Sept 2018	Sept 2020	11,517	19.79	227,926	113,963	-	-
Total					**62,661**		**1,067,111**	**425,336**		

Deferred Securities continued

Name	Plan	STI Award Performance Year	Grant Date	Vesting Date	Number Granted	Fair Value Per Deferred Security[1] $	Total Fair Value At Grant Date[1,2] $	Expense For the Year Ended 30 June 2019 $	% Vested	% Forfeited
Kylie Rampa	Deferred STI	2016	Sept 2016	Sept 2018	22,062	13.79	304,239	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2018	13,710	17.11	234,605	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2019	13,710	17.11	234,605	117,303	-	-
	Deferred STI	2018	Sept 2018	Sept 2019	16,039	19.79	317,418	317,418	-	-
	Deferred STI	2018	Sept 2018	Sept 2020	16,039	19.79	317,418	158,709	-	-
Total					**81,560**		**1,408,285**	**593,430**		
David Andrew Wilson	Deferred STI	2016	Sept 2016	Sept 2018	22,843	13.79	315,010	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2018	5,698	17.11	97,504	-	100%	-
	Deferred STI	2017	Sept 2017	Sept 2019	5,698	17.11	97,504	48,752	-	-
	Deferred STI	2018	Sept 2018	Sept 2019	7,719	19.79	152,762	152,762	-	-
	Deferred STI	2018	Sept 2018	Sept 2020	7,719	19.79	152,762	76,381	-	-
Total					**49,677**		**815,542**	**277,895**		

1. The fair value at grant date is the value of the Deferred STI award (as advised to the executive). **2.** At vesting, the minimum value is nil and the estimate of the maximum value is the fair value multiplied by the number of securities granted. **3.** Johannes Dekker received a sign-on award in lieu of forfeited awards from his previous employer. The award is split into three tranches and has vested, or will vest, during the first, second and third years of his employment.

Remuneration Report

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g. Equity Based Remuneration continued

Long Term Incentive Awards

Name	Plan (For the Year Ended)	Grant Date	Vesting Date	Number Granted	Fair Value Per Performance Security[4] $	Total Fair Value At Grant Date[1,2,3,4] $	Expense For the Year Ended 30 June 2019 $	% Vested	% Forfeited
Group CEO									
Stephen McCann	June 2015 LTI (50%)	Sept 2014	Sept 2018	106,128	11.27	1,195,532	49,814	59%	41%
	June 2016 LTI (50%)	Sept 2015	Sept 2018	101,818	10.34	1,052,289	58,461	60%	40%
	June 2016 LTI (50%)	Sept 2015	Sept 2019	101,818	10.56	1,074,689	268,672	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	122,440	11.33	1,386,633	462,211	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	122,440	11.44	1,400,714	350,178	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	100,388	13.07	1,311,569	437,190	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	100,388	13.23	1,327,631	331,908	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	44,476	9.94	442,091	104,022	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	44,476	9.94	442,091	104,022	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	44,476	9.94	442,091	104,022	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	44,476	9.94	442,091	104,022	-	-
Total				**933,324**		**10,517,421**	**2,374,522**		
Current Senior Executives									
Johannes Dekker[5]	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	52,000	-	-
	Retention Award	Jan 2019	Jan 2022	251,168	11.94	3,000,000	500,000	-	-
Total				**328,104**		**3,883,996**	**708,000**		
Tarun Gupta	June 2015 LTI (50%)	Sept 2014	Sept 2018	21,226	11.27	239,111	9,963	59%	41%
	June 2016 LTI (50%)	Sept 2015	Sept 2018	23,679	10.34	244,722	13,596	60%	40%
	June 2016 LTI (50%)	Sept 2015	Sept 2019	23,679	10.56	249,932	62,483	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	33,272	11.33	376,805	125,602	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	33,272	11.44	380,632	95,158	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	31,638	13.07	413,350	137,783	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	31,638	13.23	418,413	104,603	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	52,000	-	-
Total				**275,340**		**3,206,961**	**757,188**		
Denis Hickey	June 2015 LTI (50%)	Sept 2014	Sept 2018	18,573	11.27	209,225	8,718	59%	41%
	June 2016 LTI (50%)	Sept 2015	Sept 2018	16,576	10.34	171,313	9,517	60%	40%
	June 2016 LTI (50%)	Sept 2015	Sept 2019	16,576	10.56	174,960	43,740	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	22,626	11.33	256,239	85,413	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	22,626	11.44	258,841	64,710	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	21,904	13.07	286,176	95,392	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	21,904	13.23	289,680	72,420	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	52,000	-	-
Total				**217,721**		**2,530,430**	**587,910**		

1. For LTIs: at vesting, the minimum value is nil and the estimate of the maximum value is the fair value multiplied by the number of securities granted. **2.** For the 2019 LTA: at vesting for the Group CEO, the estimate of the minimum value is the fair value multiplied by 13.5% of the number of performance rights granted and the estimate of the maximum value is the fair value multiplied by 150% of the number of performance rights granted. Please refer to page 97 for more details. **3.** For the 2019 LTA: at vesting for other senior executives, the estimate of the minimum value is the fair value multiplied by 31.25% of the number of performance rights granted and the estimate of the maximum value is the fair value multiplied by 200% of the number of performance rights granted. Please refer to page 97 for more details.

Long Term Incentive Awards continued

Name	Plan (For the Year Ended)	Grant Date	Vesting Date	Number Granted	Fair Value Per Performance Security[4] $	Total Fair Value At Grant Date[1,2,3,4] $	Expense For the Year Ended 30 June 2019 $	% Vested	% Forfeited
Daniel Labbad	June 2015 LTI (50%)	Sept 2014	Sept 2018	18,573	11.27	209,225	8,718	59%	41%
	June 2016 LTI (50%)	Sept 2015	Sept 2018	18,943	10.34	195,776	10,876	60%	40%
	June 2016 LTI (50%)	Sept 2015	Sept 2019	18,943	10.56	199,943	49,986	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	27,683	11.33	313,510	104,503	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	27,683	11.44	316,694	79,173	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	27,076	13.07	353,748	117,916	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	27,076	13.23	358,080	89,520	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	52,000	-	-
Total				**242,913**		**2,830,972**	**668,692**		
Anthony Lombardo	June 2015 LTI (50%)	Sept 2014	Sept 2018	21,226	11.27	239,111	9,963	59%	41%
	June 2016 LTI (50%)	Sept 2015	Sept 2018	23,679	10.34	244,722	13,596	60%	40%
	June 2016 LTI (50%)	Sept 2015	Sept 2019	23,679	10.56	249,932	62,483	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	26,618	11.33	301,449	100,483	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	26,618	11.44	304,510	76,127	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	24,034	13.07	314,004	104,668	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	24,034	13.23	317,850	79,462	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	52,000	-	-
Total				**246,824**		**2,855,574**	**654,782**		
Kylie Rampa	June 2015 LTI (50%)	Sept 2014	Sept 2018	9,552	11.27	107,603	4,483	59%	41%
	June 2016 LTI (50%)	Sept 2015	Sept 2018	9,472	10.34	97,893	5,439	60%	40%
	June 2016 LTI (50%)	Sept 2015	Sept 2019	9,472	10.56	99,977	24,994	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	19,165	11.33	217,044	72,348	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	19,165	11.44	219,248	54,812	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2020	21,904	13.07	286,176	95,392	-	-
	June 2018 LTI (50%)	Sept 2017	Sept 2021	21,904	13.23	289,680	72,420	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	52,000	-	-
Total				**187,570**		**2,201,617**	**537,888**		
David Andrew Wilson[6]	June 2015 LTI (50%)	Sept 2014	Sept 2018	15,920	11.27	179,339	7,472	59%	41%
	DE Award (50%)	May 2016	May 2021	80,000	13.42	1,073,904	214,781	-	-
	DE Award (50%)	May 2016	May 2023	80,000	13.42	1,073,904	153,415	-	-
	June 2016 LTI (50%)	Sept 2015	Sept 2018	14,208	10.34	146,840	8,158	60%	40%
	June 2016 LTI (50%)	Sept 2015	Sept 2019	14,208	10.56	149,965	37,491	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2019	15,971	11.33	180,872	60,291	-	-
	June 2017 LTI (50%)	Sept 2016	Sept 2020	15,971	11.44	182,708	45,677	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2021	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2022	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2023	19,234	11.49	220,999	52,000	-	-
	June 2019 LTA (25%)	Nov 2018	Sept 2024	19,234	11.49	220,999	52,000	-	-
Total				**313,214**		**3,871,527**	**735,285**		

4. The fair value at grant date represents an actuarial valuation of the award using assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation model in accordance with Australian Accounting Standards rounded to two decimal places. **5.** Johannes Dekker received a retention award, relating to the strategic review of the Engineering and Services business. The award is allocated as one tranche, and may vest in January 2022. **6.** David Andrew Wilson was granted a Distinguished Executive (DE) Award in May 2016 that vests in two equal tranches over five and seven years. Refer to Note 33(e) of the Notes to Consolidated Financial Statements.

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g. Equity Based Remuneration continued

Equity Holdings and Transactions for the Year Ended 30 June 2019

	Year	Number of Securities Required Under the Mandatory Securityholding as at Period End[1]	Securities Held at Beginning of Financial Year	Securities Received During the Year[2]	Other Net Change to Securities	Securities Held at End Of Financial Year	Award Minimum (Performance Rights) Under the Long Term Award[3]	Total Securities/ Performance Rights That May Count Towards The Mandatory Securityholding Requirement
Executive Director								
Stephen McCann	2019	169,500	766,136	213,386	(229,504)	750,018	24,024	774,042
	2018	186,000	744,997	405,249	(384,110)	766,136	-	766,136
Senior Executives								
Johannes Dekker	2019	62,000	-	14,225	-	14,225	24,048	38,273
	2018	-	-	-	-	-	-	-
Tarun Gupta	2019	62,000	158,332	78,079	(120,000)	116,411	24,048	140,459
	2018	67,000	110,487	98,670	(50,825)	158,332	-	158,332
Denis Hickey[4]	2019	76,000	49,063	37,494	(49,063)	37,494	24,048	61,542
	2018	88,000	38,202	40,522	(29,661)	49,063	-	49,063
Daniel Labbad[4]	2019	66,000	67,001	33,184	(33,184)	67,001	24,048	91,049
	2018	67,000	100,227	48,565	(81,791)	67,001	-	67,001
Anthony Lombardo	2019	54,000	136,708	61,614	(87,668)	110,654	24,048	134,702
	2018	58,000	174,680	84,204	(122,176)	136,708	-	136,708
Kylie Rampa	2019	62,000	11,478	50,447	-	61,925	24,048	85,973
	2018	61,000	34,081	62,168	(84,771)	11,478	-	11,478
David Andrew Wilson	2019	64,000	22,997	49,210	(22,843)	49,364	24,048	73,412
	2018	-	-	51,788	(28,791)	22,997	-	22,997
Total	**2019**		**1,211,715**	**537,639**	**(542,262)**	**1,207,092**	**192,360**	**1,399,452**
Total	**2018**		**1,202,674**	**791,166**	**(782,125)**	**1,211,715**	**-**	**1,211,715**

Loans to Key Management Personnel

No loans were made to Key Management Personnel or their related parties during the current year or prior year.

Other transactions with Key Management Personnel

From time to time, Directors and executives of Lendlease or its consolidated entities, or parties related to them, may purchase goods from the Consolidated Entity. These purchases are on terms and conditions no more favourable than those entered into by unrelated customers.

h. Non Executive Directors' Fees

Non Executive Directors receive a Board fee and fees for chairing or participating on Board Committees. The Chairman does not receive extra fees for participating on committees.

The maximum aggregate remuneration payable to Non Executive Directors is $3.5 million per year, as approved at the 2015 Annual General Meeting.

Board and Committee Fees

	Board	Nomination Committee	People and Culture Committee	Risk Committee	Audit Committee	Sustainability Committee
Chair fee $	640,000	36,000	48,000	48,000	48,000	48,000
Member fee $	160,000	Nil	36,000	Nil	36,000	36,000

No changes were made to fees payable to Non Executive Directors during the year, with the exception of the introduction of the Chair fee for the Risk Committee.

As an international company and having regard to the material scale of individual projects, the Board program is formulated to reflect the geographic spread of the Lendlease businesses. Board meetings are scheduled in Australia and in each of the regions where Lendlease operates. Generally, the program runs over two or three days and includes a number of activities outside of the formal meeting. These include business briefings, presentations from external sources, project site visits, client meetings and networking events with employees and key stakeholders. Where deeper project reviews are required, the program may take up to five days.

1. Mandatory securityholding requirements are reviewed in August each year. Mandatory securityholding requirements for Johannes Dekker and David Andrew Wilson were set for the first time in August 2018. **2.** For the Executive Director and senior executives, securities received relate to security entitlements under employee benefit vehicles. **3.** Under the new Long Term Award, a minimum number of performance rights will vest (Award Minimum) over a period of up to six years. This number of performance rights counts toward mandatory securityholding requirements.The LTA was introduced in 2019 and therefore no Award Minimum is shown for 2018. **4.** Securities received during the period were after withholding tax obligations.

All Directors may be required to travel to attend Board meetings. This can involve significant additional time, particularly when visiting project sites in the regions where Lendlease operates. Where significant additional time has been spent travelling to fulfil the requirements of the program, fees are paid to compensate Directors for the extra time commitment.

The program is an important element of the Board's activities to enable the Directors to obtain the required deep understanding of the operations within the regions.

	Fee (each way) $
Travel less than 4 hours	Nil
Travel between 4 and 10 hours	2,800
Travel over 10 hours	6,000

Board and committee fees are paid as cash. The current Non Executive Directors are not entitled to retirement benefits other than superannuation. However, some Former Non Executive Directors[1] have retirement benefits or securities which were previously accrued.

i. Non Executive Directors' Equity Holdings

	Year	Securities Held at Beginning of Financial Year	Other Net Change to Securities	Securities Held at End Of Financial Year
Non Executive Directors				
Michael Ullmer	2019	50,000	50,000	100,000
	2018	50,000	-	50,000
Colin Carter	2019	15,000	-	15,000
	2018	15,000	-	15,000
Philip Coffey	2019	9,810	-	9,810
	2018	4,810	5,000	9,810
David Craig	2019	24,870	25,130	50,000
	2018	14,870	10,000	24,870
Steve Dobbs	2019	12,000	-	12,000
	2018	8,000	4,000	12,000
Jane Hemstritch	2019	20,000	-	20,000
	2018	20,000	-	20,000
Elizabeth Proust	2019	10,000	15,000	25,000
	2018	-	10,000	10,000
Nicola Wakefield Evans	2019	16,766	13,482	30,248
	2018	16,131	635	16,766
Former Non Executive Directors				
David Crawford[2]	2019	83,315	1,017	84,332
	2018	81,363	1,952	83,315
Phillip Colebatch[3]	2019	18,323	-	18,323
	2018	18,323	-	18,323
Total	**2019**	**260,084**	**104,629**	**364,713**
Total	**2018**	**228,497**	**31,587**	**260,084**

Purchase of Lendlease Securities by Non Executive Directors

The current Non Executive Directors acquired Lendlease securities using their own funds.

1. Applies to David Crawford and Phillip Colebatch. **2.** David Crawford ceased to be a Non Executive Director on 16 November 2018. The balance of securities held at the end of the financial year shown here represents the balance held at that date. **3.** Phillip Colebatch ceased to be a Non Executive Director on 16 November 2018. The balance of securities held at the end of the financial year shown here represents the balance held at that date.

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h. Non Executive Directors' Fees continued

The table below sets out fees paid to Non Executive Directors during 2019 and 2018.

$000s		Short Term Benefits				Post Employment Benefits	
	Year	Base Fees	Committee Chair Fees	Committee Membership Fees	Travel Fees	Superannuation[1]	Total
Non Executive Directors							
Michael Ullmer[2]	2019	460	20	15	36	21	552
	2018	160	48	36	35	20	299
Colin Carter	2019	160	36	72	24	21	313
	2018	160	36	72	35	20	323
Philip Coffey	2019	160	24	72	36	21	313
	2018	160	-	36	35	20	251
David Craig	2019	160	48	36	36	21	301
	2018	160	48	18	35	20	281
Steve Dobbs	2019	160	-	72	63	21	316
	2018	160	-	72	75	20	327
Jane Hemstritch	2019	160	48	36	36	21	301
	2018	160	48	18	35	20	281
Elizabeth Proust	2019	160	-	60	36	21	277
	2018	67	-	6	6	7	86
Nicola Wakefield Evans	2019	160	24	54	36	21	295
	2018	160	-	72	35	20	287
Former Non Executive Directors							
David Crawford[3]	2019	267	-	-	24	9	300
	2018	640	-	-	35	20	695
Phillip Colebatch[4]	2019	67	-	30	24	9	130
	2018	160	-	54	38	20	272

1. Directors have superannuation contributions paid on their behalf in accordance with superannuation legislation. **2.** Michael Ullmer was appointed Chairman on 16 November 2018.
3. David Crawford ceased to be Chairman and Non Executive Director on 16 November 2018. **4.** Phillip Colebatch ceased to be a Non Executive Director on 16 November 2018.

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Directors' Report

The Directors' Report for the financial year ended 30 June 2019 has been prepared in accordance with the requirements of the *Corporations Act 2001*. The information below forms part of this Directors' Report:

- Principal activities on page 5
- Operating and Financial Review on pages 4 to 75 incorporating the Performance and Outlook on pages 62 to 75
- Biographical information for the Directors and Company Secretary on pages 80 to 85
- Officers who were previously partners of the audit firm on page 85
- Directors' interests in capital on page 90
- Board and committee meetings and attendance on pages 90 to 91
- Remuneration Report on pages 92 to 122
- Lead Auditor's Independence Declaration on page 126.

a. Dividends/Distributions

The 2018 final dividend/distribution of $201 million (25.0 cents per security, unfranked) referred to in the Directors' Report dated 22 August 2018, was paid on 21 September 2018. Details of dividends/distributions in respect of the current year are as follows:

	$m
Interim dividends/distributions of 12.0 cents per security (unfranked) paid on 20 March 2019[1]	68
Final dividends/distributions of 30.0 cents per security (unfranked) declared by Directors to be payable on 16 September 2019[2]	169
Total dividends/distributions	**237**

1. Comprised of an unfranked trust distribution of 12.0 cents per unit paid by Lendlease Trust.
2. Comprised of an unfranked dividend of 9.5 cents per share payable by the Company and an unfranked trust distribution of 20.5 cents per unit payable by Lendlease Trust.

b. Significant Changes in State of Affairs

There have been no significant changes in the Group's state of affairs.

c. Events Subsequent to Balance Date

On 7 August 2019, Lendlease Corporation and Lendlease Responsible Entity (Lendlease Group) were served with a shareholder class action proceeding filed in the Supreme Court of New South Wales on 6 August 2019 by Martin John Fletcher, represented by Phi Finney McDonald. This proceeding alleges breaches of Lendlease Group's continuous disclosure obligations and misleading and deceptive conduct in relation to matters concerning projects within the engineering and services business and the effect that those projects had on Lendlease Group's financial performance and results. It is currently not possible to determine the ultimate impact of these claims, if any, on Lendlease Group. Lendlease Group denies the allegations and intends to vigorously defend this proceeding. The potential liability and costs in respect of the proceeding cannot be accurately assessed at this time.

d. Security Options

No security options were issued during the year by the Company or any of its controlled entities, and there are no such options on issue.

e. Indemnification and Insurance of Directors and Officers

Rule 12 of the Company's Constitution provides for indemnification in favour of each of the Directors named on pages 80 to 85 of this report, the officers of the Company or of wholly owned subsidiaries or related entities of the Company (Officers) to the extent permitted by the *Corporations Act 2001*. Rule 12 does not indemnify a Director, Company Secretary or Officer for any liability involving a lack of good faith.

In conformity with Rule 12 of the Company's Constitution, the Company has entered into Deeds of Indemnity, Insurance and Access with each of the Directors named on pages 80 to 85 of this report and for officers of the Company and Directors of related entities of the Company. The indemnities operate to the full extent permitted by law and are not subject to a monetary limit. The Company is not aware of any liability having arisen, and no claims have been made during or since the financial year under the Deeds of Indemnity, Insurance and Access.

For unrelated entities in which the Group has an interest, Deeds of Indemnity may be entered into between Lendlease Corporation Limited and the Director or Officer. Since the date of the last report, the Company has not entered into any separate Deeds of Indemnity with a Director or Officer of an unrelated entity.

No indemnity has been granted to an auditor of the Company in their capacity as auditor of the Company.

In accordance with the *Corporations Act 2001*, Rule 12 of the Constitution also permits the Company to purchase and maintain insurance or pay or agree to pay a premium for insurance for Officers against any liability incurred as an Officer of the Company or of a related body corporate. This may include a liability for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal, and whatever their outcome. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the premium or policy can be disclosed.

f. Environmental Regulation

The Group is subject to various state and federal environmental regulations in Australia.

The Directors are not aware of any material non compliance with environmental regulations pertaining to the operations or activities during the period covered by this report. In addition, the Lendlease Group is registered and publicly reports the annual performance of its Australian operations under the requirements of the National Greenhouse and Energy Reporting (NGER) Act 2007 and Energy Efficiency Opportunities (EEO) Act 2006.

All Lendlease businesses continue to operate an integrated Environment, Health and Safety Management System, ensuring that non compliance risks and opportunities for environmental improvements are identified, managed and reported accordingly.

g. Non Audit Services

During the year, KPMG, the Company's auditor, performed certain other services in addition to its statutory duties.

The Board has considered the other services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All other services were subject to the corporate governance procedures adopted by the Group and the Audit Committee is satisfied that those services do not impact the integrity and objectivity of the auditor
- The other services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

A copy of the Lead Auditor's Independence Declaration, as required under Section 307C of the *Corporations Act 2001*, is included at the end of the Directors' Report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and other services provided during the year are set out below.

	Consolidated	
	June 2019 $000s	June 2018 $000s
Audit and Other Assurance Services		
Audit services	7,141	6,338
Other assurance services	495	399
Total audit and other assurance services	**7,636**	**6,737**
Non audit services	714	447
Total audit, non audit and other assurance services	**8,350**	**7,184**

h. Rounding Off

Lendlease Corporation Limited is a company of the kind referred to in the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and, in accordance with that Instrument, amounts in the Consolidated Financial Statements and this report have been rounded off to the nearest million dollars unless specifically stated to be otherwise. June 2018 comparative balances have been restated where required to reflect the change in rounding.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

M J Ullmer, AO
Chairman
Sydney, 19 August 2019

S B McCann
Group Chief Executive Officer and Managing Director
Sydney, 19 August 2019

Audit Study
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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Lendlease Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Lendlease Corporation Limited for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Duncan McLennan
Partner

Sydney
19 August 2019

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Financial Statements

Transformation of Sydney's Martin Place (artist's impression)

In FY19, Macquarie Group appointed Lendlease as its design and construction contractor to deliver the new Sydney Metro Martin Place Station, retail space, pedestrian connections and the buildings above the station.

Financial Statements

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Lendlease Corporation Limited (the Company) is incorporated and domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2019 comprises the Company and its controlled entities including Lendlease Trust (LLT) (together referred to as the consolidated entity or the Group). The Group is a for profit entity and is an international property and infrastructure group. Further information about the Group's primary activities is included in Note 1 'Segment Reporting'. Shares in the Company and units in LLT are traded as one security under the name of Lendlease Group on the Australian Securities Exchange (ASX). The Company is deemed to control LLT for accounting purposes and therefore LLT is consolidated into the Group's financial report. The issued units of LLT, however, are not owned by the Company and are therefore presented separately in the consolidated entity Statement of Financial Position within equity, notwithstanding that the unitholders of LLT are also the shareholders of the Company. The consolidated financial report was authorised for issue by the Directors on 19 August 2019.

Consolidated Financial Statements

Income Statement

Year Ended 30 June 2019

	Note	June 2019 $m	June 2018 $m
Revenue from contracts with customers[1]	4	16,386	16,422
Other revenue[1]		152	134
Cost of sales		(15,438)	(15,038)
Gross profit		**1,100**	**1,518**
Share of profit of equity accounted investments	5	338	131
Other income	6	295	496
Other expenses		(988)	(1,007)
Results from operating activities		**745**	**1,138**
Finance revenue	8	17	16
Finance costs	8	(142)	(88)
Net finance costs		**(125)**	**(72)**
Profit before tax		**620**	**1,066**
Income tax expense	9	(153)	(272)
Profit after tax		**467**	**794**
Profit after tax attributable to:			
Members of Lendlease Corporation Limited		313	580
Unitholders of Lendlease Trust		154	213
Profit after tax attributable to securityholders		**467**	**793**
External non controlling interests			1
Profit after tax		**467**	**794**
Basic/Diluted Earnings per Lendlease Corporation Limited Share (EPS)			
Shares excluding treasury shares	(cents) 3	55.6	100.2
Shares on issue	(cents) 3	55.2	99.6
Basic/Diluted Earnings per Lendlease Group Stapled Security (EPSS)			
Securities excluding treasury securities	(cents) 3	82.9	137.0
Securities on issue	(cents) 3	82.4	136.1

1. June 2018 balances have been reclassified to align the presentation of comparative information to disclosures required under AASB 15 *Revenue from Contracts with Customers* which has been adopted from 1 July 2018. $134 million has been reclassified from Revenue from contracts with customers to Other revenue. Refer to Impact of New and Revised Accounting Standards for details.

The accompanying notes form part of these consolidated financial statements.

Consolidated Financial Statements continued

Statement of Comprehensive Income

Year Ended 30 June 2019

	Note	June 2019 $m	June 2018 $m
Profit after Tax		**467**	**794**
Other Comprehensive Income/(Expense) After Tax			
Items that may be reclassified subsequently to profit or loss:			
Movements in hedging reserve	9b	(61)	(7)
Movements in foreign currency translation reserve	9b	92	81
Total items that may be reclassified subsequently to profit or loss[1]		**31**	**74**
Items that will not be reclassified to profit or loss:			
Movements in non controlling interest acquisition reserve	9b	(5)	(4)
Defined benefit plan remeasurements	9b	(39)	55
Total items that will not be reclassified to profit or loss		**(44)**	**51**
Total comprehensive income after tax		**454**	**919**
Total comprehensive income after tax attributable to:			
Members of Lendlease Corporation Limited		300	705
Unitholders of Lendlease Trust		154	213
Total comprehensive income after tax attributable to securityholders		**454**	**918**
External non controlling interests			1
Total comprehensive income after tax		**454**	**919**

1. Includes $3 million (June 2018: $28 million) relating to share of other comprehensive income of equity accounted investments.

The accompanying notes form part of these consolidated financial statements.

Statement of Financial Position

As at 30 June 2019

	Note	June 2019 $m	June 2018 $m
Current Assets			
Cash and cash equivalents	14	1,290	1,177
Loans and receivables	21	2,050	2,670
Inventories	11	2,238	2,369
Other financial assets	13	97	7
Current tax assets		11	
Other assets		70	91
Total current assets		**5,756**	**6,314**
Non Current Assets			
Loans and receivables	21	688	788
Inventories	11	3,345	3,177
Equity accounted investments	12	3,452	2,627
Investment properties		501	278
Other financial assets	13	1,103	1,548
Deferred tax assets	9c	101	120
Property, plant and equipment		548	465
Intangible assets	31	1,457	1,421
Defined benefit plan asset	32	140	155
Other assets		87	71
Total non current assets		**11,422**	**10,650**
Total assets		**17,178**	**16,964**
Current Liabilities			
Trade and other payables	22	5,724	5,770
Provisions		332	330
Borrowings and financing arrangements	16a	225	475
Current tax liabilities			10
Other financial liabilities		6	3
Total current liabilities		**6,287**	**6,588**
Non Current Liabilities			
Trade and other payables	22	1,401	1,531
Provisions		45	67
Borrowings and financing arrangements	16a	2,490	1,884
Other financial liabilities		1	1
Deferred tax liabilities	9c	597	479
Total non current liabilities		**4,534**	**3,962**
Total liabilities		**10,821**	**10,550**
Net assets		**6,357**	**6,414**
Equity			
Issued capital	17	1,300	1,297
Treasury securities		(68)	(44)
Reserves		105	61
Retained earnings		3,815	3,855
Total equity attributable to members of Lendlease Corporation Limited		**5,152**	**5,169**
Total equity attributable to unitholders of Lendlease Trust		1,182	1,244
Total equity attributable to securityholders		**6,334**	**6,413**
External non controlling interests		23	1
Total equity		**6,357**	**6,414**

The accompanying notes form part of these consolidated financial statements.

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Consolidated Financial Statements continued

Statement of Changes in Equity

Year Ended 30 June 2019

	Issued Capital $m	Treasury Securities[1] $m	RESERVES Hedging Reserve $m	RESERVES Foreign Currency Translation Reserve $m	RESERVES Non Controlling Interest Acquisition Reserve $m	RESERVES Other Reserve $m	RESERVES Equity Compensation Reserve $m	Retained Earnings $m	Members of Lendlease Corporation Limited $m	Unitholders of Lendlease Trust $m	External Non Controlling Interests $m	Total Equity $m
Balance as at 1 July 2017	1,290	(25)	(17)	(95)	(86)	106	77	3,697	4,947	1,117	103	6,167
Total Comprehensive Income												
Profit for the period								580	580	213	1	794
Other comprehensive income (net of tax)			(7)	81	(4)			55	125			125
Total comprehensive income	**-**	**-**	**(7)**	**81**	**(4)**	**-**	**-**	**635**	**705**	**213**	**1**	**919**
Other Comprehensive Income (Net of Tax)												
Net investment hedging				(8)					(8)			(8)
Effect of foreign exchange movements				89	(4)				85			85
Effective cash flow hedges			(7)						(7)			(7)
Defined benefit plan remeasurements								55	55			55
Other comprehensive income (net of tax)	**-**	**-**	**(7)**	**81**	**(4)**	**-**	**-**	**55**	**125**	**-**	**-**	**125**
Transactions with Owners of the Company												
Capital contributed by non controlling interests									-		22	22
Distribution Reinvestment Plan (DRP)	7								7	1		8
On market buyback of securities								(145)	(145)	(33)		(178)
Dividends and distributions								(337)	(337)	(54)		(391)
Treasury securities acquired		(46)							(46)			(46)
Treasury securities vested		27							27			27
Fair value movement on allocation and vesting of securities							18		18			18
Asset disposal and transfers			1	(11)					(10)		(125)	(135)
Other movements					(2)			5	3			3
Total other movements through reserves	**7**	**(19)**	**1**	**(11)**	**(2)**	**-**	**18**	**(477)**	**(483)**	**(86)**	**(103)**	**(672)**
Balance as at 30 June 2018	**1,297**	**(44)**	**(23)**	**(25)**	**(92)**	**106**	**95**	**3,855**	**5,169**	**1,244**	**1**	**6,414**
Balance as at 1 July 2018	1,297	(44)	(23)	(25)	(92)	106	95	3,855	5,169	1,244	1	6,414
Total Comprehensive Income												
Profit for the period								313	313	154		467
Other comprehensive income (net of tax)			(61)	92	(5)			(39)	(13)			(13)
Total comprehensive income	**-**	**-**	**(61)**	**92**	**(5)**	**-**	**-**	**274**	**300**	**154**	**-**	**454**
Other Comprehensive Income (Net of Tax)												
Net investment hedging				(8)					(8)			(8)
Effect of foreign exchange movements				100	(5)				95			95
Effective cash flow hedges			(61)						(61)			(61)
Defined benefit plan remeasurements								(39)	(39)			(39)
Other comprehensive income (net of tax)	**-**	**-**	**(61)**	**92**	**(5)**	**-**	**-**	**(39)**	**(13)**	**-**	**-**	**(13)**
Transactions with Owners of the Company												
Capital contributed by non controlling interest									-		22	22
Distribution Reinvestment Plan (DRP)[2]	3								3	1		4
On market buyback of securities								(140)	(140)	(34)		(174)
Dividends and distributions								(174)	(174)	(183)		(357)
Treasury securities acquired		(57)							(57)			(57)
Treasury securities vested		33							33			33
Fair value movement on allocation and vesting of securities							17		17			17
Asset disposal and transfers[3]				1					1			1
Other movements									-			-
Total other movements through reserves	**3**	**(24)**	**-**	**1**	**-**	**-**	**17**	**(314)**	**(317)**	**(216)**	**22**	**(511)**
Balance as at 30 June 2019	**1,300**	**(68)**	**(84)**	**68**	**(97)**	**106**	**112**	**3,815**	**5,152**	**1,182**	**23**	**6,357**

1. Opening balance for number of treasury securities 1 July 2018 was 4 million (1 July 2017: 4 million) and closing balance at 30 June 2019 was 4 million.
2. The Group neutralised stapled securities issued under the 2018 Interim Distribution Reinvestment Plan by acquiring an equivalent number of stapled securities on market.
3. These movements in reserves were transferred to profit and loss in the year.

The accompanying notes form part of these consolidated financial statements.

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Consolidated Financial Statements continued

Statement of Cash Flows

Year Ended 30 June 2019

	Note	June 2019 $m	June 2018 $m
Cash Flows from Operating Activities			
Cash receipts in the course of operations		17,026	16,354
Cash payments in the course of operations		(16,902)	(16,216)
Interest received		13	13
Interest paid		(152)	(122)
Dividends/distributions received		105	77
Income tax paid in respect of operations		(30)	(33)
Net cash provided by operating activities	15	**60**	**73**
Cash Flows from Investing Activities			
Sale/redemption of investments		571	74
Acquisition of investments		(378)	(449)
Acquisition of/capital expenditure on investment properties		(53)	(112)
Net loan (drawdowns)/repayments from associates and joint ventures		(22)	410
Disposal of consolidated entities (net of cash disposed and transaction costs)		266	434
Disposal of property, plant and equipment		14	7
Acquisition of property, plant and equipment		(165)	(110)
Acquisition of intangible assets		(66)	(32)
Net cash provided by investing activities		**167**	**222**
Cash Flows from Financing Activities			
Proceeds from borrowings		4,640	2,021
Repayment of borrowings		(4,347)	(1,871)
Dividends/distributions paid		(258)	(372)
Payments for on market buyback of stapled securities		(174)	(178)
Payments for on market buyback of stapled securities – Distribution Reinvestment Plan		(11)	(10)
Increase in capital of non controlling interest		22	22
Other financing activities			(10)
Net cash used in financing activities		**(128)**	**(398)**
Other Cash Flow Items			
Effect of foreign exchange rate movements on cash and cash equivalents		**14**	**31**
Net increase/(decrease) in cash and cash equivalents		**113**	**(72)**
Cash and cash equivalents at beginning of financial year		**1,177**	**1,249**
Cash and cash equivalents at end of financial year	14	**1,290**	**1,177**

The accompanying notes form part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Basis of Preparation

The consolidated financial report is a general purpose financial report which:

- Has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board, and the *Corporations Act 2001*;
- Complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board;
- Is presented in Australian dollars ($). At June 2019, all values have been rounded off to the nearest million dollars unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. June 2018 comparative balances have been restated where required to reflect the change in rounding; and
- Is prepared under the historical cost basis except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments, fair value through profit or loss investments, investment properties and liabilities for cash settled share based compensation plans. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Refer to the specific accounting policies within the notes to the financial statements for the basis of valuation of assets and liabilities measured at fair value.

Significant accounting policies have been:

- Included in the relevant notes to which the policies relate, while other significant accounting policies are discussed in Note 35 'Other Significant Accounting Policies'; and
- Consistently applied to all financial years presented in the consolidated financial statements and by all entities in the Group, except as explained in Note 34 'Impact of New and Revised Accounting Standards'.

The preparation of a financial report that complies with AASBs requires management to make judgements, estimates and assumptions.

- This can affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
- Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.
- The significant accounting policies highlight information about accounting judgements in applying accounting policies that have the most significant effects on reported amounts and further information about estimated uncertainties that have a significant risk of resulting in material adjustments within the next financial year.

The Group presents assets and liabilities in the Statement of Financial Position as current or non current.

- Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or use in, the course of the Group's operating cycle. All other assets are classified as non current.
- Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non current.

Notes to Consolidated Financial Statements continued

Section A: Performance

Profit after tax (PAT) is the key measure used to assess the Group's performance. This section of the Financial Report focuses on disclosure that enhances a user's understanding of PAT. Segment Reporting below provides a breakdown of profit and revenue by the operational activity. The key line items of the Income Statement along with their components provide detail behind the reported balances. Group performance will also impact the earnings per stapled security and dividend payout, therefore disclosure on these items has been included in this section. Further information and analysis on performance and allocation of resources can be found in the Performance & Outlook section of the Directors' Report.

1. Segment Reporting

Accounting Policies

The Group's segments are Development, Construction, Investments and Non core. The Group has identified these operating segments based on the distinct products and services provided by each segment, the distinct target returns profile and allocation of resources for each segment, and internal reports that are reviewed and used by the Group Chief Executive Officer and Managing Director (the Chief Operating Decision Maker) in assessing performance, determining the allocation of resources, setting operational targets, and managing the Group.

The Group has arranged the segments around business activity rather than geography due to the Group's business model being broadly consistent in all regions.

Segment performance is based on PAT. PAT is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain reportable segments relative to other entities that operate within these industries. The Group does not consider corporate activities to be an operating segment.

The operating segments are as follows:

Development
Operates in all four geographic regions. Its products and services include the development of communities, inner city mixed use developments, apartments, retirement, retail, commercial assets and social and economic infrastructure. Construction margin earned on internal projects is recognised in this segment.

Construction
Operates across all four geographic regions. Its products and services include the provision of project management, design and construction services, predominantly in the defence, mixed use, commercial and residential sectors.

Investments
Services include owning and/or managing investments across all four geographic regions. The investments segment includes a leading wholesale investment management platform and also includes the Group's ownership interests in property and infrastructure Co-Investments, Retirement Living and US Military Housing.

Non core
Non core includes the provision of project management, design and construction services, predominantly in the infrastructure sector in Australia. These products and services represent the Engineering and Services business. The Chief Operating Decision Maker now receives additional information about this business given the Group announced in February 2019 the Engineering and Services business is no longer a required part of the Group's strategy.

Financial information regarding the performance of each reportable segment and a reconciliation of these reportable segments to the financial statements is included below.

Financial Disclosure	PROFIT BEFORE TAX		INCOME TAX (EXPENSE)/ BENEFIT		PROFIT AFTER TAX	
	June 2019 $m	June 2018 $m	June 2019 $m	June 2018 $m	June 2019 $m	June 2018 $m
Core						
Development	787	669	(233)	(177)	554	492
Construction[1]	198	283	(57)	(94)	141	189
Investments	482	662	(114)	(168)	368	494
Total core segments	**1,467**	**1,614**	**(404)**	**(439)**	**1,063**	**1,175**
Non core[1]	(489)	(241)	152	74	(337)	(167)
Total segments	**978**	**1,373**	**(252)**	**(365)**	**726**	**1,008**
Reconciling items						
Corporate activities	(358)	(307)	99	92	(259)	(215)
Statutory result attributable to securityholders	**620**	**1,066**	**(153)**	**(273)**	**467**	**793**
External non controlling interests				1		1
Statutory result	**620**	**1,066**	**(153)**	**(272)**	**467**	**794**

1. June 2018 comparatives have been restated to separately present the results of the Engineering and Services business as a non core operating business.

The following tables set out other financial information by reportable segment.

	Segment Revenue[1] $m	Finance Revenue $m	Finance Expense $m	Share of Results EAI[2] $m	Depreciation and Amortisation $m	Material Non Cash Items[3] $m	Non Current Segment Assets[4] $m	Group Total Assets $m
Year Ended June 2019								
Core								
Development	3,355	9	(4)	184	(12)	21	5,275	7,101
Construction	9,680		(1)	23	(12)	(3)	1,440	3,710
Investments	348	1	(1)	126	(7)	138	2,597	4,028
Total core segments	**13,383**	**10**	**(6)**	**333**	**(31)**	**156**	**9,312**	**14,839**
Non core	3,141			5	(28)	3	490	2,089
Total segments	**16,524**	**10**	**(6)**	**338**	**(59)**	**159**	**9,802**	**16,928**
Corporate activities	31	7	(136)		(63)	(8)	276	250
Statutory result	**16,555**	**17**	**(142)**	**338**	**(122)**	**151**	**10,078**	**17,178**
Year Ended June 2018								
Core								
Development	3,204	3	(2)	40	(6)	15	4,649	7,227
Construction[5]	9,656		(1)	(1)	(11)	(5)	1,617	4,146
Investments	394	1	(1)	87	(8)	256	1,969	3,762
Total core segments	**13,254**	**4**	**(4)**	**126**	**(25)**	**266**	**8,235**	**15,135**
Non core[5]	3,284	1		5	(24)	(60)	336	1,403
Total segments	**16,538**	**5**	**(4)**	**131**	**(49)**	**206**	**8,571**	**16,538**
Corporate activities	34	11	(84)		(58)	18	256	426
Statutory result	**16,572**	**16**	**(88)**	**131**	**(107)**	**224**	**8,827**	**16,964**

1. Segment revenue as disclosed in the Performance and Outlook, is comprised of Revenue from contracts with customers, Other revenue and Finance revenue.
2. Equity Accounted Investments.
3. The Material Non Cash Items relate to impairments and provisions raised or written back, unrealised foreign exchange movements and fair value gains or losses.
4. Excludes deferred tax assets, financial instruments and defined benefit plan assets.
5. June 2018 comparatives have been restated to separately present the results of the Engineering and Services business as a non core operating business.

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Notes to Consolidated Financial Statements continued

Section A: Performance continued

1. Segment Reporting continued

	NON CURRENT ASSETS[1]	
	June 2019 $m	June 2018 $m
Australia	5,462	4,932
Asia	1,176	856
Europe	1,158	1,181
Americas	2,006	1,602
Total segment	**9,802**	**8,571**
Corporate activities	276	256
Statutory result	**10,078**	**8,827**

1. Excludes deferred tax assets, financial instruments and defined benefit plan assets and is based on the geographical location of assets.

The operating segments generate revenue in the following regions.

	REVENUE[1]							
June 2019	Development $m	Construction $m	Investments $m	Total Core Segments $m	Non Core $m	Total Segments $m	Corporate Activities $m	Statutory Result $m
Australia	2,712	4,052	210	6,974	3,141	10,115	31	10,146
Asia	18	401	63	482		482		482
Europe	544	941	13	1,498		1,498		1,498
Americas	81	4,286	62	4,429		4,429		4,429
Total	**3,355**	**9,680**	**348**	**13,383**	**3,141**	**16,524**	**31**	**16,555**
June 2018								
Australia	2,856	3,742	274	6,872	3,284	10,156	34	10,190
Asia	67	536	49	652		652		652
Europe	198	680	22	900		900		900
Americas	83	4,698	49	4,830		4,830		4,830
Total	**3,204**	**9,656**	**394**	**13,254**	**3,284**	**16,538**	**34**	**16,572**

1. Segment revenue as disclosed in the Performance and Outlook, is comprised of Revenue from contracts with customers, Other revenue and Finance revenue.

No revenue from transactions with a single external customer amounts to 10 per cent or more of the Group's revenue.

2. Dividends/Distributions[1]

		COMPANY/TRUST	
	Cents Per Share/Unit	June 2019 $m	June 2018 $m
Parent Company Interim Dividend			
December 2018[2]			
December 2017 – paid 22 March 2018	29.4		172
Lendlease Trust Interim Distribution			
December 2018 – paid 20 March 2019	12.0	68	
December 2017 – paid 22 March 2018	4.6		27
Parent Company Final Dividend			
June 2019 – declared subsequent to reporting date[3]	9.5	53	
June 2018 – paid 21 September 2018	30.3		174
Lendlease Trust Final Distribution			
June 2019 – provided for (payable 16 September 2019)	20.5	116	
June 2018 – paid 21 September 2018	4.7		27
Total		**237**	**400**

1. Final and interim dividends/distributions were not franked in the current and prior year.
2. No interim dividend was declared for the Company for the 31 December 2018 half year.
3. No provision for this dividend has been recognised in the Statement of Financial Position at 30 June 2019, as it was declared after the end of the financial year.

Dividend Franking

The amount of franking credits available for use in subsequent reporting periods as at 30 June 2019 is $16 million, based on a 30 per cent tax rate (30 June 2018: $14 million). This is calculated after adjusting for franking credits which will arise from the payment of income tax provided in the financial statements and tax losses utilised in the current financial year.

3. Earnings Per Share/Stapled Security (EPS/EPSS)

Accounting Policies

The Group presents basic and diluted EPS/EPSS in the Income Statement. This is a key performance measure for the Group. Refer to further details in the Finance Area of Focus section of the Annual Report.

Basic EPS/EPSS is determined by dividing Profit/(loss) after tax attributable to members of the Company and Group, excluding any costs of servicing equity other than ordinary shares/securities, by the weighted average number of ordinary shares/securities outstanding during the financial year, adjusted for bonus elements in ordinary shares/securities issued during the financial year.

Diluted EPS/EPSS is determined by adjusting the Profit/(loss) after tax attributable to members of the Company and Group, and the weighted average number of ordinary shares/securities outstanding for the effects of all dilutive potential ordinary shares/securities. The Group currently does not have any dilutive potential ordinary shares/securities. Dilution occurs when treasury shares and employee share options are included in outstanding shares.

The issued units of Lendlease Trust (LLT) are presented separately within equity, and therefore the profit attributable to LLT is excluded from the calculation of basic and diluted earnings per Company share presented in the Income Statement.

Financial Disclosure		JUNE 2019		JUNE 2018	
		Shares/ Securities Excluding Treasury Securities	Shares/ Securities on Issue	Shares/ Securities Excluding Treasury Securities	Shares/ Securities on Issue
Basic/Diluted Earnings Per Share (EPS)					
Profit attributable to members of Lendlease Corporation Limited (Company)	$m	313	313	580	580
Weighted average number of ordinary shares	m	563	567	579	583
Basic/Diluted EPS	cents	**55.6**	**55.2**	**100.2**	**99.6**
Basic/Diluted Earnings Per Stapled Security (EPSS)					
Profit attributable to securityholders of Lendlease Group	$m	467	467	793	793
Weighted average number of stapled securities	m	563	567	579	583
Basic/Diluted EPSS	cents	**82.9**	**82.4**	**137.0**	**136.1**

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Notes to Consolidated Financial Statements continued

Section A: Performance continued

4. Revenue from Contracts with Customers

Accounting Policies

The Group's accounting policies for recognition of revenue have been revised with effect from 1 July 2018 to reflect the adoption of AASB 15 *Revenue from Contracts with Customers*.

Provision of Construction and Development services

Construction services include project management, design and construction services predominantly in the infrastructure, defence, mixed use, commercial and residential sectors. Development services include development fees earned on development of inner city mixed use developments, retirement, retail, commercial assets and social and economic infrastructure.

Contracts with customers to provide Construction or Development services can include either one performance obligation or multiple integrated performance obligations within each contract. The Group assesses each of its contracts individually and where there are separate performance obligations identified, the transaction price is allocated based on the relative stand-alone selling prices of the services provided. Typically, the Construction or Development services in contracts are not considered distinct as the services are highly interrelated and an integrated bundle of services, therefore are accounted for as a single performance obligation.

The transaction price for each contract may include variable consideration in the form of contract variations or modifications, and contract claims (collectively, 'Modifications'). Variable consideration may also include performance or other incentive fees. The transaction price is the amount of consideration to which the Group expects to be entitled to receive in exchange for transferring promised goods or services to a customer per the contract.

Variable consideration is only included in the transaction price for a contract to the extent it is highly probable that a significant reversal of that revenue will not occur, which is an area of accounting judgement. Factors considered in assessing whether the estimated revenue associated with Modifications should be recognised include the following:

i. Status of negotiations with customers;
ii. The contract or other evidence provides a legal basis for the Modifications;
iii. Additional costs incurred were caused by circumstances that were unforeseen at the contract date and for which entitlement contractually exists;
iv. Modification-related costs are identifiable, measurable, and considered reasonable in view of the work performed;
v. Evidence supporting the Modification is objective and verifiable, which may include independent third-party advice;
vi. Commercial and market factors specific to the Modifications; and
vii. Historical experience in resolving Modifications.

This assessment is reviewed each reporting period or when facts and circumstances change during the reporting period.

Revenue is recognised over time, typically based on an input method using an estimate of costs incurred to date as a percentage of total estimated costs. These contracts are typically executed on the customer's land so they control the assets as it is being built or the customer benefits from the service as the work is performed. Differences between amounts recognised as revenue and amounts billed to customers are recognised as contract assets or liabilities in the Statement of Financial Position.

The measurement of revenue is an area of accounting judgement. Management use judgement to estimate:

i. Progress in satisfying the performance obligations within the contract which includes estimating contract costs expected to be incurred to satisfy performance obligations; and
ii. The probability of the amount to be recognised as variable consideration for approved variations and claims where the final price has not been agreed with the customer.

Revenue is invoiced based on the terms of each individual contract which may include a periodic billing schedule or achievement of specific milestones. Invoices are issued under commercial payment terms which is typically 30 days from when an invoice is issued.

A provision for loss making contracts is recorded for the difference between the expected costs of fulfilling a contract and the expected remaining economic benefits to be received where the forecast remaining costs exceed the forecast remaining benefits.

Provision of Investment services

Investment services include funds management, asset management, leasing and origination services.

Each contract with a customer to provide Investment services is typically one performance obligation with revenue recognised over time as services are rendered. Typically, our performance obligation is to manage a client's capital and/or property for a specified period of time and is delivered as a series of daily performance obligations over time.

The transaction price for each contract may include variable consideration in the form of performance fees. Variable consideration is only included in the transaction price for a contract to the extent it is highly probable that a significant reversal of that revenue will not occur. The Group assesses probability of receiving variable consideration using a combination of commercial and market factors, and historical experience.

Revenue is invoiced either monthly or quarterly based on the terms of each individual contract. Invoices are issued under commercial payment terms which are typically 30 days from when an invoice is issued.

Accounting Policies continued

Sale of Development Properties

The Group develops and sells residential land lots and built form products, including residential apartments, commercial and retail buildings. Sale of residential land lots and apartments typically are recognised at a point in time with each contract treated as a single performance obligation to transfer control of an asset to a customer. Residential land lots and apartments are recognised on settlement with the customer.

The sale of retail, commercial and mixed use assets may include land, construction, development management and investment service components. Where there are multiple components within one contract, the transaction price is allocated based on the stand-alone selling prices of each component, typically using the residual approach, and revenue is recognised based on the policies noted above. Sales of commercial and retail buildings are recognised when the customer obtains control of the asset based on the specific terms and conditions of the sales contract.

The Group discounts deferred proceeds to reflect the time value of money where the period between the transfer of control of a development property and receipt of payment from the customer exceeds one year. Deferred proceeds from customers are recognised in trade and other receivables where the right to receive payment is unconditional. Deposits received in advance from customers are recognised as a contract liability until the performance obligation has been met.

The measurement and recognition of revenue from the sale of development properties is an area of accounting judgement as it requires management to exercise judgement in valuing the individual components of a development property sale, given the due consideration to cost inputs, market conditions and commercial factors.

Proceeds from the sale of residential land lots and apartments are received upon settlement, which will typically occur between 6-12 weeks following practical completion on the asset. Proceeds from the sale of retail, commercial and mixed use assets are received in accordance with the specific terms of each contract.

Financial Disclosure	June 2019 $m	June 2018[1] $m
Revenue from the provision of services		
Core Construction[2]	9,678	9,620
Non core - Engineering and Services[2]	3,141	3,302
Construction	**12,819**	**12,922**
Development	738	605
Investments	260	292
Total revenue from the provision of services	**13,817**	**13,819**
Revenue from the sale of development properties	2,569	2,603
Total revenue from contracts with customers[3]	**16,386**	**16,422**

1. June 2018 balances have been reclassified to align the presentation of comparative information to disclosures required under AASB 15 Revenue from Contracts with Customers with $134 million reclassified to Other revenue on the Income Statement. Refer to Impact of New and Revised Accounting Standards for details.
2. June 2018 balances have been reclassified to align the presentation of comparative information to the change in segments disclosed in Note 1 'Segment Reporting'.
3. Further information on revenue by geography and by segments is included in Note 1 'Segment Reporting'. Segment revenue as disclosed in the Performance and Outlook, is comprised of Revenue from contracts with customers, Other revenue and Finance revenue.

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Notes to Consolidated Financial Statements continued

Section A: Performance continued

5. Share of Profit of Equity Accounted Investments

Accounting Policies

Investments in associates and joint ventures are accounted for using the equity method. The share of profit recognised under the equity method is the Group's share of the investment's profit or loss based on ownership interest held. Associates (including partnerships) are entities in which the Group, as a result of its voting rights, has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

For associates, this is from the date that significant influence commences until the date that significant influence ceases, and for joint ventures, this is from the date joint control commences until the date joint control ceases.

Financial Disclosure	June 2019 $m	June 2018 $m
Associates		
Share of profit	24	24
Joint Ventures		
Share of profit	314	107
Total share of profit of equity accounted investments	**338**	**131**

a. Associates[1]	June 2019 $m	June 2018 $m
Australia		
Investments		
Lendlease Sub Regional Retail Fund	(1)	2
Total Australia	**(1)**	**2**
Asia		
Investments		
Lendlease Asian Retail Investment Fund 2	(1)	1
Lendlease Asian Retail Investment Fund 3	23	19
Total Asia	**22**	**20**
Americas		
Investments		
Other	3	2
Total Americas	**3**	**2**
Total share of profit from associates	**24**	**24**

1. Reflects the contribution to the Group's profit, and is after tax paid by the Equity Accounted Investment vehicles themselves, where relevant. However, for various Equity Accounted Investments, the share of tax is paid by the Group and is included in the Group's current tax expense.

b. Joint Ventures[1]	June 2019 $m	June 2018 $m
Australia		
Development		
Circular Quay Tower	18	(1)
Other	3	6
Investments		
Lendlease Retirement Living Trust	100	52
Other	(1)	
Total Australia	**120**	**57**
Asia		
Development		
Paya Lebar Quarter	130	19
Investments		
CDR JV Ltd (313@somerset)	5	4
Total Asia	**135**	**23**
Europe		
Development		
Hungate (York) Regeneration Ltd	(1)	
Intown SRL Joint Venture	(1)	
LRIP LP	9	
Silvertown	(3)	
Stratford City Business District Limited (International Quarter London)	4	23
Victoria Drive Wandsworth	(5)	
Other		1
Investments		
Other	(2)	8
Total Europe	**1**	**32**
Americas		
Development		
Lendlease Towers LLC	(3)	
Americas Residential Partnership[2]	37	
Other		(3)
Construction		
Lendlease Turner Joint Venture	24	
Other		(2)
Total Americas	**58**	**(5)**
Total share of profit from joint ventures	**314**	**107**
Total share of profit of equity accounted investments	**338**	**131**

1. Reflects the contribution to the Group's profit, and is after tax paid by the Equity Accounted Investment vehicles themselves, where relevant. However, for various Equity Accounted Investments, the share of tax is paid by the Group and is included in the Group's current tax expense.
2. During the year, the Group sold a 50 per cent interest in its investment in the Americas Residential Partnership. Following the transaction, the Group equity accounts its residual interest in the investment as the Group has joint control over the major decisions of the entity with its joint venture partner.

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Notes to Consolidated Financial Statements continued

Section A: Performance continued

5. Share of Profit of Equity Accounted Investments continued

c. Material Associates and Joint Ventures Summarised Financial Information

The table below provides summarised financial information for those associates and joint ventures that are material to the Group. Refer to Note 12c 'Equity Accounted Investments' for determination of material associates and joint ventures. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and associates and, where indicated, the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and differences in accounting policies. The nature and principal activities of the material joint ventures is investment in and development of property assets.

	PAYA LEBAR QUARTER		LENDLEASE RETIREMENT LIVING TRUST	
Income Statement	June 2019 $m	June 2018 $m	June 2019 $m	June 2018[1] $m
Revenue and other income	636	157	233	146
Depreciation and amortisation			(1)	(1)
Other expenses	(53)	(8)	(99)	(76)
Profit for the period	**583**	**149**	**133**	**69**
Other comprehensive loss			(8)	
Total comprehensive income	**583**	**149**	**125**	**69**
Group's ownership interest	30.0%	30.0%	75.0%	75.0%
Group's total share of:				
Profit for the period	**175**	**45**	**100**	**52**
Other adjustments	(45)	(26)		
Total profit for the period	**130**	**19**	**100**	**52**
Other comprehensive income/(expense)	18	10	(6)	
Total comprehensive income	**148**	**29**	**94**	**52**

1. Lendlease Retirement Living Trust Income Statement has been presented from when the investment was deconsolidated on 18 December 2017.

The table below provides summarised financial information for those associates and joint ventures that are individually immaterial to the Group.

	ASSOCIATES		JOINT VENTURES	
Income Statement	June 2019 $m	June 2018 $m	June 2019 $m	June 2018[1] $m
Aggregate amounts of the Group's share of:				
Profit from continuing operations	24	24	84	55
Other comprehensive income/(expense)	12	10	(21)	18
Aggregate amounts of Group's share of total comprehensive income of individually immaterial equity accounted investments	**36**	**34**	**63**	**73**

1. Paya Lebar Quarter was disclosed as an immaterial joint venture for June 2018. At June 2019 it is considered to be a material equity investment for the Group as the total comprehensive income of $148 million and the net book value of $382 million is material to the overall equity accounted investment balance. This investment has been disclosed as a material joint venture for June 2019. No figures in the above table have been restated.

6. Other Income

Accounting Policies

Other Income

Net gains or losses on sale/transfer of investments, including consolidated entities and Equity Accounted Investments are recognised when an unconditional contract is in place.

Net gains or losses on fair value remeasurements are recognised in accordance with the policies stated in Note 13 'Other Financial Assets'.

Financial Disclosure	June 2019 $m	June 2018 $m
Net gain on sale/transfer of investments		
Consolidated entities[1]	74	69
Other financial assets at fair value[2]	20	
Other assets and liabilities	5	3
Total net gain on sale/transfer of investments	**99**	**72**
Net gain on fair value measurement		
Investment properties	85	30
Fair value through profit or loss assets[3]	97	276
Total net gain on fair value measurement	**182**	**306**
Other	**14**	**118**
Total other income	**295**	**496**

1. The Group sold a 50 per cent interest in its investment in the Americas Residential Partnership for cash consideration of $172 million. The profit on disposal was $73 million, which includes a revaluation gain of $8 million.
2. During the year, the Group partially disposed of units in Lendlease One International Towers Sydney Trust and Lendlease International Towers Sydney Trust for cash consideration of $210 million and $334 million respectively. At 30 June 2019, the Group holds a 2.5% interest in Lendlease One International Towers Sydney Trust (June 2018: 12.5%). It also holds a 6.2% interest in Lendlease International Towers Sydney Trust (June 2018: 15.0%) with 3.9% being an ongoing interest.
3. The assets comprising the fair value uplift are disclosed in Note 13 'Other Financial Assets'.

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Notes to Consolidated Financial Statements continued

Section A: Performance continued

7. Other Expenses

Accounting Policies

Other expenses in general are recognised as incurred.

Employee Benefit Expenses

Employee benefits are expensed as the related service by the employee is provided and includes both equity and cash based payment transactions. Employee benefits recognised in the Income Statement are net of recoveries.

For cash bonuses, the Group recognises an accrued liability for the amount expected to be paid. This is based on a formula that takes into consideration the profit attributable to the Group's securityholders after certain adjustments. Refer to Note 33a 'Short Term Incentives' for further detail.

Share Based Compensation

The Group operates equity settled share based compensation plans that are linked to Lendlease's security price. The fair value of the equity received in exchange for the grant is recognised as an expense and a corresponding increase in equity, in the Equity Compensation Reserve. The total amount to be expensed over the vesting period is determined by reference to the fair value of the securities granted.

The fair value is primarily determined using a Monte-Carlo simulation model. Refer to Note 33f 'Amounts Recognised in the Financial Statements' for further detail. Management considers the fair value assigned to be an area of estimation uncertainty as it requires judgements on Lendlease's security price and whether vesting conditions will be satisfied.

At each balance sheet date, the Group revises its estimates of the entitlement due. It recognises the impact of revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity over the remaining vesting period. Changes in entitlement for equity settled share based compensation plans are not recognised if they fail to vest due to market conditions not being met.

Superannuation Accumulation Plan Expense

All employees in the Australia region are entitled to benefits on retirement, disability or death from the Group's superannuation accumulation plan. The majority of these employees are party to a defined contribution plan and receive fixed contributions from the Group. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. The Group also operates a defined benefit superannuation plan, membership of which is now closed. Refer to Note 32 'Defined Benefit Plans' for further detail.

impairment

The carrying amounts of the Group's assets, subject to impairment tests, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The calculation of this recoverable amount is dependent on the type of asset. The material assets' accounting policies will contain further information on these calculations.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

Reversals of Impairment

Impairment losses on assets can be reversed (other than goodwill) when there is a subsequent increase in the recoverable amount. The increase could be due to a specific event, the indication that impairment may no longer exist or there is a change in estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Operating Lease Expense

Payments made under operating leases, including lease incentives, are recognised in the Income Statement on a straight line basis over the term of the lease.

Depreciation and Amortisation

Depreciation is charged to the Income Statement on a straight line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Amortisation is provided on leasehold improvements over the remaining term of the lease. Most plant is depreciated over a period not exceeding 20 years, furniture and fittings over three to 15 years, motor vehicles over four to eight years and computer equipment over three years.

Financial Disclosure	June 2019 $m	June 2018 $m
Profit before income tax includes the following other expense items:		
Employee benefit expenses[1]	2,780	2,627
Superannuation accumulation plan expense	55	66
Net defined benefit plans expense	1	4
Expenses include impairments raised/(reversals) relating to:		
Loans and receivables	1	1
Property inventories	(1)	(2)
Equity accounted investments	6	2
Operating lease expense	96	93
Depreciation and amortisation	122	107
Net foreign exchange loss	6	

1. Total expense before recoveries through projects.

Auditors' Remuneration	June 2019 $000s	June 2018 $000s
Amounts received or due and receivable by the auditors of Lendlease Group for:		
Audit and Other Assurance Services		
Audit services	7,141	6,338
Other assurance services	495	399
Total audit and other assurance services	**7,636**	**6,737**
Non audit services[1]	714	447
Total audit, other assurance and non audit services	**8,350**	**7,184**

1. Non audit services include amounts charged for work relating to financial, tax, and asset due diligence and financing arrangements of the Group.

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Notes to Consolidated Financial Statements continued

Section A: Performance continued

8. Finance Revenue and Finance Costs

Accounting Policies

Finance revenue is recognised as it is earned using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the expected life of the financial instrument. The discount is then recognised as finance revenue over the remaining life of the financial instrument.

Finance costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of costs incurred in connection with the arrangement of new borrowings facilities. Costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings. Finance costs are expensed immediately as incurred unless they relate to acquisition and development of qualifying assets. Qualifying assets are assets that take more than six months to prepare for their intended use or sale. Finance costs related to qualifying assets are capitalised.

Financial Disclosure	June 2019 $m	June 2018 $m
Finance Revenue		
Other corporations	8	12
Other finance revenue	5	1
Total interest finance revenue	**13**	**13**
Interest discounting	4	3
Total finance revenue	**17**	**16**
Finance Costs		
Other corporations	156	118
Less: Capitalised interest finance costs[1]	(25)	(36)
Total interest finance costs	**131**	**82**
Non interest finance costs[2]	11	6
Total finance costs	**142**	**88**
Net finance costs	**(125)**	**(72)**

1. The weighted average interest rate used to determine the amount of interest finance costs eligible for capitalisation was 4.0 per cent (30 June 2018: 4.8 per cent), which is the effective interest rate.
2. June 2018 comparatives have been restated to include $1 million of discounting costs which was previously separately disclosed.

9. Taxation

Accounting Policies

Income Taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Under current Australian income tax law, LLT is not liable for income tax, including capital gains tax, to the extent that unitholders are attributed the taxable income of LLT.

Current tax is the expected tax payable on the taxable income for the financial year, using applicable tax rates (and tax laws) at the balance sheet date in each jurisdiction, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is the expected tax payable in future periods as a result of past transactions or events and is calculated by comparing the accounting balance sheet to the tax balance sheet. Temporary differences are provided for any differences in the carrying amounts of assets and liabilities between the accounting and tax balance sheets. The following temporary differences are not provided for:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries to the extent that they are not likely to reverse in the foreseeable future.

Measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using applicable tax rates (and tax laws) at the balance sheet date.

Recognition of deferred tax assets is only to the extent it is probable that future taxable profits will be available so as the related tax asset will be realised. Deferred tax assets may include the following:

- Deductible temporary differences;
- Unused tax losses; and
- Unused tax credits.

Management considers the estimation of future taxable profits to be an area of estimation uncertainty as a change in any of the assumptions used in budgeting and forecasting would have an impact on the future profitability of the Group. The Group prepares financial budgets and forecasts, covering a five year period, which are reviewed on a regular basis. These forecasts and budgets form the basis of future profitability to support the carrying value of the deferred tax assets. The performance of the Group is influenced by a variety of general economic and business conditions, which are outside the control of the Group, including the level of inflation, interest rates, exchange rates, commodity prices, ability to access funding, oversupply and demand conditions and government fiscal, monetary and regulatory policies.

Presentation of deferred tax assets and liabilities can be offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but are intended to be settled on a net basis or to be realised simultaneously.

Tax Consolidation

The Company is the head entity of the Australian Tax Consolidated Group comprising all the Australian wholly owned subsidiaries, excluding LLT. As a consequence, all members of the Australian Tax Consolidation Group are taxed as a single entity.

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Notes to Consolidated Financial Statements continued

Section A: Performance continued

9. Taxation continued

	June 2019 $m	June 2018 $m
a. Income Tax Expense		
Recognised in the Income Statement		
Current Tax Expense		
Current year	82	238
Adjustments for prior years	(4)	4
Benefit of tax losses recognised	(2)	
	76	**242**
Deferred Tax Expense		
Origination and reversal of temporary differences	72	141
Temporary differences recovered	6	(82)
Net tax losses recognised	(2)	(15)
Change in tax rate	1	(14)
	77	**30**
Total income tax expense	**153**	**272**
Reconciliation of Effective Tax Rate		
Profit before Tax	620	1,066
Income tax using the domestic corporation tax rate 30%	**186**	**320**
Adjustments for prior year	(5)	4
Non assessable and exempt income[1]	(51)	(72)
Non allowable expenses[2]	8	10
Net write off/(recognition) of tax losses through income tax expense	8	(18)
Temporary differences recognised through income tax expense[3]	7	47
Utilisation of capital losses on disposal of assets	(3)	(2)
Effect of tax rates in foreign jurisdictions[4]	(1)	(20)
Other	4	3
Income tax expense	**153**	**272**
Deferred Tax Recognised Directly in Equity		
Relating to:		
Defined benefit plan remeasurements	(8)	16
Foreign currency translation reserve	7	4
Non controlling interest acquisition reserve	3	3
Total deferred tax expense recognised directly in equity	**2**	**23**

b. Tax Effect Relating to Other Comprehensive Income

	June 2019			June 2018		
	Before Tax $m	Tax (Expense)/ Benefit $m	Net of Tax $m	Before Tax $m	Tax (Expense)/ Benefit $m	Net of Tax $m
Movements in hedging reserve	(61)		(61)	(7)		(7)
Movements in foreign currency translation reserve	99	(7)	92	85	(4)	81
Movements in non controlling interest acquisition reserve	(5)		(5)	(4)		(4)
Movements in defined benefit plan remeasurements	(47)	8	(39)	71	(16)	55
Total other comprehensive income net of tax	**(14)**	**1**	**(13)**	**145**	**(20)**	**125**

1. Includes Lendlease Trust profit.
2. Includes accounting expenses for which a tax deduction is not allowed permanently.
3. Includes temporary differences recognised in a previous year but are subsequently written off to income tax expense in the current year and temporary differences that arose in a previous year but were not recognised until the current year.
4. The Group operates in a number of foreign jurisdictions for trading purposes which have significantly lower tax rates than Australia such as the United Kingdom and Singapore and higher tax rates such as the United States of America (blended federal, state and local rate) and Japan. Also includes the effect of change in tax rates.

c. Deferred Tax Assets and Liabilities

	June 2019		June 2018	
	Assets $m	Liabilities $m	Assets $m	Liabilities $m
Recognised Deferred Tax Assets and Liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Loans and receivables		(64)	2	(131)
Inventories	67	(424)	112	(375)
Other financial assets	2	(61)	1	(55)
Other assets	93	(96)	32	(29)
Equity accounted investments	7	(398)	7	(299)
Investment properties		(8)		
Property, plant and equipment	3	(37)	13	(42)
Intangible assets		(23)		(15)
Net defined benefit plan	23	(29)	14	(24)
Trade and other payables	192		133	
Provisions	118	(1)	125	
Borrowings and financing arrangements	20		6	
Other financial and non financial liabilities			10	
Unused revenue tax losses recognised	75		99	
Items with a tax base but no carrying value	65	(20)	77	(20)
Total deferred tax assets/(liabilities)	**665**	**(1,161)**	**631**	**(990)**
Deferred tax set off	(564)	564	(511)	511
Net deferred tax assets/(liabilities)	**101**	**(597)**	**120**	**(479)**

	1 July 2018 $m	Recognised in Income $m	Recognised in Equity $m	Other/ Foreign Exchange $m	30 June 2019 $m
June 2019					
Movement in temporary differences during the financial year:					
Loans and receivables	(129)	64		1	(64)
Inventories	(264)	(88)		(5)	(357)
Other financial assets	(54)	(2)		(3)	(59)
Other assets	3	(4)		(2)	(3)
Equity accounted investments	(292)	(90)	(11)	2	(391)
Investment properties		(8)			(8)
Property, plant and equipment	(29)	(4)		(1)	(34)
Intangible assets	(15)	(8)			(23)
Net defined benefit plan	(10)	(4)	8		(6)
Trade and other payables	133	55		4	192
Provisions	125	(11)		3	117
Borrowings and financing arrangements	6	10	4		20
Other financial and non financial liabilities	10	(10)			
Unused revenue tax losses recognised	99	33		(57)	75
Items with a tax base but no carrying value	58	(10)	(3)		45
Total net deferred tax assets/(liabilities)	**(359)**	**(77)**	**(2)**	**(58)**	**(496)**

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Notes to Consolidated Financial Statements continued

Section A: Performance continued

9. Taxation continued

	1 July 2017 $m	Recognised in Income $m	Recognised in Equity $m	Other/Foreign Exchange $m	30 June 2018 $m
June 2018					
Movement in temporary differences during the financial year:					
Loans and receivables	(285)	156			(129)
Inventories	(49)	(212)		(3)	(264)
Other financial assets	(49)	(3)		(2)	(54)
Other assets	(3)	6			3
Equity accounted investments	(28)	(257)	(7)		(292)
Investment properties	(273)	273			
Property, plant and equipment	(3)	(30)		4	(29)
Intangible assets	(11)	(4)			(15)
Net defined benefit plans	6		(16)		(10)
Trade and other payables	161	(30)		2	133
Resident liabilities	82	(82)			
Provisions	110	14		1	125
Borrowings and financing arrangements	15		3	(12)	6
Other financial liabilities	1	13		(4)	10
Unused revenue tax losses recognised	231	51		(183)	99
Items with a tax base but no carrying value	(14)	75	(3)		58
Total net deferred tax assets/(liabilities)	**(109)**	**(30)**	**(23)**	**(197)**	**(359)**

	June 2019 $m	June 2018 $m
Unrecognised Deferred Tax Assets		
Deferred tax assets have not been recognised in respect of the following items:		
Unused revenue tax losses	43	64
Unused capital tax losses	16	16
Net deductible temporary differences	65	32
Total unrecognised deferred tax assets	**124**	**112**

Of the unrecognised deferred tax assets of $124 million, only $4 million expires by 2038. The remainder of the unrecognised deferred tax assets have no expiry date.

10. Events Subsequent to Balance Date

On 7 August 2019, Lendlease Corporation and Lendlease Responsible Entity (Lendlease Group) were served with a shareholder class action proceeding filed in the Supreme Court of New South Wales on 6 August 2019 by Martin John Fletcher, represented by Phi Finney McDonald. This proceeding alleges breaches of Lendlease Group's continuous disclosure obligations and misleading and deceptive conduct in relation to matters concerning projects within the engineering and services business and the effect that those projects had on Lendlease Group's financial performance and results. It is currently not possible to determine the ultimate impact of these claims, if any, on Lendlease Group. Lendlease Group denies the allegations and intends to vigorously defend this proceeding. The potential liability and costs in respect of the proceeding cannot be accurately assessed at this time.

Section B: Investment

Investment in the Development pipeline, joint ventures in property projects, the retirement sector, and more passive assets, such as property funds, drives the current and future performance of the Group. This section includes disclosures for property such as Inventories and indirect property assets such as Equity Accounted Investments and Other Financial Assets contained within the Statement of Financial Position.

11. Inventories

Accounting Policies

Development Properties

Property acquired for development and sale in the ordinary course of business is carried at the lower of cost and Net Realisable Value (NRV).

The cost of development properties includes expenditure incurred in acquiring the property, preparing it for sale and borrowing costs incurred.

The NRV is the estimated selling price, less the estimated costs of completion and selling expenses. Management considers the estimation of both selling prices and costs of completion to be an area of estimation uncertainty, as these estimations take into consideration market conditions affecting each property and the underlying strategy for selling the property.

The recoverable amount of each property is assessed at each balance date and accounting judgement is required to assess whether a provision is raised where cost (including costs to complete) exceeds NRV.

Inventories are expensed as cost of sales in the Income Statement. Management uses accounting judgement in determining the following:

- The apportionment of cost of sales through sales revenue;
- The amount of cost of sales, which includes costs incurred to date and final forecast costs; and
- The nature of the expenditure, which may include acquisition costs, development costs, borrowing costs and those costs incurred in preparing the property for sale.

Construction Contract Assets

The gross amount of Construction and Development work in progress consists of costs attributable to work performed, including recoverable pre contract and project bidding costs and emerging profit after providing for any foreseeable losses. In applying the accounting policies on providing for these losses, accounting judgement is required.

Construction contract assets are presented as part of inventories for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented in trade and other payables as a Construction contract liability.

Financial Disclosure	June 2019 $m	June 2018 $m
Current		
Development properties	1,031	1,476
Construction contract assets[1]	1,180	883
Other	27	10
Total current	**2,238**	**2,369**
Non Current		
Development properties	3,345	3,177
Total non current	**3,345**	**3,177**
Total inventories	**5,583**	**5,546**

1. As a result of the adoption of AASB 15 Revenue from Contracts with Customers, the description has been changed from Construction work in progress to Construction contract assets.

Lendlease Corporation Limited and its controlled entities

Notes to Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments

Accounting Policies

Equity Accounted Investments (Associates and Joint Ventures)

As outlined in Note 5 'Share of Profit of Equity Accounted Investments', investments in Associates and Joint Ventures are equity accounted. The share of investment recognised under the equity method is the Group's share of the investment's net assets based on ownership interest held.

Investments in associates and joint ventures are carried at the lower of the equity accounted carrying amount and the recoverable amount. When the Group's share of losses exceeds the carrying amount of the equity accounted investment (including assets that form part of the net investment in the associate or joint venture entity), the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has obligations in respect of the associate or joint venture.

Dividends from associates and joint ventures represent a return on the Group's investment and, as such, are applied as a reduction to the carrying value of the investment. Unrealised gains arising from transactions with equity accounted investments are eliminated against the investment in the associate or joint venture to the extent of the Group's interest in the associate or joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Other movements in associates' and joint ventures' reserves are recognised directly in the Group's consolidated reserves.

Service Concession Arrangements (SCAs)

The Group equity accounts its investment in project companies with SCAs through public private partnerships (PPPs). These arrangements provide facilities management and maintenance services with terms generally of 25 to 30 years. They also incorporate contractual obligations to make available the individual assets for their prescribed use and, where necessary, overhaul or replace major items of plant and equipment related to the assets with payment obtained through periodic draw downs from the relevant government authorities.

Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

Investments in joint operations are accounted for by recognising amounts on a line by line basis in accordance with the accounting standards applicable to the particular assets, liabilities, revenues and expenses in relation to the Group's interest in the joint operation.

Financial Disclosure	Note	June 2019 $m	June 2018 $m
Associates			
Investment in associates	12a	277	248
Less: Impairment		(7)	(7)
Total associates		**270**	**241**
Joint Ventures			
Investment in joint ventures	12b	3,195	2,393
Less: Impairment		(13)	(7)
Total joint ventures		**3,182**	**2,386**
Total equity accounted investments		**3,452**	**2,627**

	INTEREST		NET BOOK VALUE	
	June 2019 %	June 2018 %	June 2019 $m	June 2018 $m
a. Associates				
Australia				
Development				
Lendlease Communities Fund 1	20.8	20.8	4	4
Investments				
Lendlease Sub Regional Retail Fund[1]	10.0	10.0	36	39
Total Australia			**40**	**43**
Asia				
Investments				
Lendlease Asian Retail Investment Fund 2	38.2	36.8	30	27
Lendlease Asian Retail Investment Fund 3	20.1	20.1	201	173
Total Asia			**231**	**200**
Europe				
Development				
Other			4	4
Total Europe			**4**	**4**
Americas				
Investments				
Other			2	1
Total Americas			**2**	**1**
Total			**277**	**248**
Less: Impairment			(7)	(7)
Total associates			**270**	**241**

1. Although the Group has a 10 per cent ownership interest in Lendlease Sub Regional Retail Fund, it holds 20 per cent of the voting rights over the fund and has significant influence over the investment. As a result, the Group applies equity accounting for its ownership interest.

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Notes to Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

	INTEREST		NET BOOK VALUE	
	June 2019 %	June 2018 %	June 2019 $m	June 2018 $m
b. Joint Ventures				
Australia				
Development				
Circular Quay Tower	20.0	20.0	93	44
Melbourne Quarter R1	50.0	50.0	66	12
Melbourne Metro[1]	30.0	30.0		58
Other			16	16
Investments				
Lendlease Retirement Living Trust	75.0	75.0	1,397	1,303
Other			12	
Total Australia			**1,584**	**1,433**
Asia				
Development				
Paya Lebar Quarter	30.0	30.0	382	218
The Exchange TRX	60.0	60.0	364	316
Investments				
CDR JV Ltd (313@somerset)	25.0	25.0	96	85
Total Asia			**842**	**619**
Europe				
Development				
Hungate (York) Regeneration Limited	50.0	50.0	6	7
Intown SRL Joint Venture	50.0	50.0	38	22
LRIP LP	20.0	20.0	39	12
Silvertown	50.0		6	
Stratford City Business District Limited (International Quarter London)	50.0	50.0	130	119
Victoria Drive Wandsworth	50.0	50.0	40	38
Investments				
Treviso	50.0	50.0	14	14
Other			8	4
Total Europe			**281**	**216**
Americas				
Development				
277 Fifth Avenue	40.0	40.0	64	55
845 Madison	37.5	70.0	44	32
Lendlease Towers LLC	50.0	50.0	30	31
Americas Residential Partnership[2]	50.0		341	
Other			9	6
Construction				
Other				1
Total Americas			**488**	**125**
Total			**3,195**	**2,393**
Less: Impairment			(13)	(7)
Total joint ventures			**3,182**	**2,386**
Total equity accounted investments			**3,452**	**2,627**

1. Balance includes the Melbourne Metro equity accounted investment of $70 million (June 2018: $70 million) net of a hedge reserve of $70 million (June 2018: $12 million).
2. During the year, the Group sold a 50 per cent interest in its investment in the Americas Residential Partnership. Following the transaction, the Group equity accounts its residual interest in the investment as the Group has joint control over the major decisions of the entity with its joint venture partner.

c. Material Associates and Joint Ventures Summarised Financial Information

The table below provides summarised financial information for those associates and joint ventures that are material to the Group. Material associates and joint ventures have been determined by comparing individual investment net book value with the total equity accounted investment carrying value and share of profit, along with consideration of relevant qualitative factors. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and associates and, where indicated, the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and differences in accounting policies. The nature and principal activities of the material associates and joint ventures is development of property assets.

	PAYA LEBAR QUARTER		LENDLEASE RETIREMENT LIVING TRUST	
Statement of Financial Position	June 2019 $m	June 2018 $m	June 2019 $m	June 2018 $m
Current assets				
Cash and cash equivalents	84	37	34	25
Other current assets	256	400	75	41
Total current assets	**340**	**437**	**109**	**66**
Non current assets				
Investment properties	3,263	2,268	7,288	6,969
Other non current assets			2	2
Total non current assets	**3,263**	**2,268**	**7,290**	**6,971**
Current liabilities				
Resident liabilities			4,759	4,686
Financial liabilities (excluding trade payables)	1,911			
Other current liabilities	37	111	63	46
Total current liabilities	**1,948**	**111**	**4,822**	**4,732**
Non current liabilities				
Financial liabilities (excluding trade payables)[1]		1,694	586	439
Other non current liabilities[1]	64	25	146	146
Total non current liabilities	**64**	**1,719**	**732**	**585**
Net assets	**1,591**	**875**	**1,845**	**1,720**
Reconciliation to Carrying Amounts				
Opening net assets 1 July	875	636	1,720	
Total comprehensive income for the period	583	149	125	52
Acquisition/contributions	64	53		1,668
Foreign currency translation for the period	69	37		
Closing net assets	**1,591**	**875**	**1,845**	**1,720**
% ownership	30.0%	30.0%	75.0%	75.0%
Group's share of net assets	**477**	**262**	**1,384**	**1,290**
Other adjustments	(95)	(44)	13	13
Carrying amount at end of period	**382**	**218**	**1,397**	**1,303**

1. June 2018 Financial liabilities (excluding trade payables) balance for Lendlease Retirement Living Trust has been adjusted to reclassify $146 million to Other non current liabilities.

Material joint ventures had $99 million (June 2018: $112 million) in capital expenditure commitments and nil (June 2018: $2 million) in operating lease commitments as at 30 June 2019.

Lendlease Corporation Limited

Notes to Consolidated Financial Statements continued

Section B: Investment continued

12. Equity Accounted Investments continued

The table below provides summarised financial information for those associates and joint ventures that are individually immaterial to the Group.

	ASSOCIATES		JOINT VENTURES	
	June 2019 $m	June 2018 $m	June 2019 $m	June 2018 $m
Aggregate carrying value of individually immaterial equity accounted investments[1]	**270**	**241**	**1,403**	**1,083**

1. Paya Lebar Quarter was disclosed as an immaterial joint venture for June 2018. At June 2019 it is considered to be a material equity investment for the Group as the total comprehensive income of $148 million and the net book value of $382 million is material to the overall equity accounted investment balance. This investment has been disclosed as a material joint venture for June 2019. No figures in the above table have been restated.

13. Other Financial Assets

Accounting Policies

Financial Assets at fair value through profit or loss on initial recognition are measured at fair value (generally transaction price) and subsequently stated at fair value. Transaction costs are recorded as expenses when they are incurred. Any gain or loss arising from a change in fair value is recognised in the Income Statement.

Financial Assets at amortised cost are presented within loans and receivables in Note 21.

	Fair Value Level[1]	June 2019 $m	June 2018 $m
Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Lendlease International Towers Sydney Trust	Level 3	87	
Derivatives	Level 2	10	7
Total current		**97**	**7**
Non Current Measured at Fair Value			
Fair Value Through Profit or Loss – Designated at Initial Recognition			
Lendlease International Towers Sydney Trust	Level 3	151	515
Lendlease One International Towers Sydney Trust	Level 3	54	246
Australian Prime Property Fund – Industrial	Level 3	96	75
Australian Prime Property Fund – Commercial	Level 3	369	292
Australian Prime Property Fund – Retail	Level 3	74	76
Lendlease Public Infrastructure Investment Company	Level 3	40	41
Military Housing Projects Initiative	Level 3	211	195
Lendlease Asian Retail Investment Fund	Level 3	44	39
Parkway Parade Partnership Limited	Level 3	43	40
Other investments	Level 3	11	10
	Level 1	10	19
Total non current		**1,103**	**1,548**
Total other financial assets		**1,200**	**1,555**

1. Refer to Note 25 'Fair Value Measurement' for details on basis of determining fair value and valuation technique.

a. Fair Value Reconciliation

The reconciliation of the carrying amount for Level 3 financial assets is set out as follows.

	June 2019 $m	June 2018 $m
Carrying amount at beginning of financial year	1,529	1,195
(Disposals)/Additions	(493)	73
Gains recognised in Income Statement	106	258
Transfers		(10)
Other movements	38	13
Carrying amount at end of financial year	**1,180**	**1,529**

The potential effect of using reasonably possible alternative assumptions for valuation inputs would not have a material impact on the Group.

Section C: Liquidity and Working Capital

The ability of the Group to fund the continued investment in the property and infrastructure pipeline, invest in new opportunities and meet current commitments is dependent on available cash, undrawn debt facilities and access to third party capital. This section contains disclosure on the financial assets, financial liabilities, cash flows and equity that are required to finance the Group's activities, including existing commitments and the liquidity risk exposure associated with financial liabilities. The section also contains disclosures for the Group's trading assets, excluding inventories, and the trading liabilities incurred as a result of trading activities used to generate the Group's performance.

14. Cash and Cash Equivalents

Accounting Policies

Cash and cash equivalents include cash on hand, deposits held at call with banks, bank overdrafts and other short term highly liquid investments that are readily convertible to known amounts of cash within three months and which are subject to an insignificant risk of changes in value.

Bank overdrafts (if applicable) are shown as a current liability on the Statement of Financial Position and are shown as a reduction to the cash balance in the Statement of Cash Flows.

Financial Disclosure	June 2019 $m	June 2018 $m
Cash	731	647
Short term investments[1]	559	530
Total cash and cash equivalents	**1,290**	**1,177**

1. Short term investments earned variable rates of interest which averaged 2.3 per cent per annum during the year (30 June 2018: 1.7 per cent).

15. Notes to Statement of Cash Flows

	June 2019 $m	June 2018 $m
Reconciliation of Profit after Tax to Net Cash Provided by Operating Activities		
Profit after tax (including external non controlling interests)	467	794
Amortisation and depreciation	122	107
Net gain on sale of investments, plant and equipment	(99)	(72)
Impairment of equity accounted investments	6	2
Net unrealised foreign exchange loss/(gain) and currency hedging costs	8	(3)
Net fair value gain on investments	(97)	(276)
Share of profit of equity accounted investments	(338)	(131)
Dividends/distributions from equity accounted investments	43	16
Fair value gain on investment properties	(85)	(30)
Other	(19)	(173)
Net cash provided by operating activities before changes in assets and liabilities	**8**	**234**
Changes in Assets and Liabilities Adjusted for Effects of Purchase and Disposal of Consolidated Entities and Operations During the Financial Year		
Decrease/(increase) in receivables	644	(18)
Increase in inventories	(224)	(319)
Decrease/(increase) in other assets	9	(10)
Increase in net defined benefit plans	(13)	(16)
Decrease in payables	(439)	(79)
Increase in operating derivatives assets/liabilities		(14)
Decrease in deferred tax items	130	233
(Increase)/decrease in current tax	(23)	4
(Decrease)/increase in other provisions	(32)	58
Net cash provided by operating activities	**60**	**73**

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Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

16. Borrowings and Financing Arrangements

Accounting Policies

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Under the amortised cost method the difference between the amount initially recognised and the redemption value is recorded in the Income Statement over the period of the borrowing on an effective interest basis. Borrowings are referred to in this section using their redemption value when describing the terms and conditions.

Financial Disclosure	June 2019 $m	June 2018 $m
a. Borrowings – Measured at Amortised Cost		
Current		
Commercial notes	225	250
Bank credit facilities		225
Total current	**225**	**475**
Non Current		
Commercial notes	1,502	1,590
Bank credit facilities	988	294
Total non current	**2,490**	**1,884**
Total borrowings	**2,715**	**2,359**
b. Finance Facilities		
The Group has access to the following lines of credit:		
Commercial Notes		
Facility available	1,727	1,840
Amount of facility used	(1,727)	(1,840)
Amount of facility unused	**-**	**-**
Bank Credit Facilities		
Facility available	3,495	2,222
Amount of facility used	(988)	(519)
Amount of facility unused	**2,507**	**1,703**
Bank Overdrafts		
Facility available and amount unused	**124**	**124**

Commercial notes include:

- £300 million of guaranteed unsecured notes issued in October 2006 in the UK bond market with a 6.125 per cent per annum coupon maturing in October 2021;
- US$400 million of guaranteed unsecured senior notes issued in May 2016 in the US Reg. S market under Lendlease's Euro Medium Term Note Programme with a 4.5 per cent per annum coupon maturing in May 2026;
- S$300 million of guaranteed unsecured senior notes issued in April 2017 in the Singapore bond market under Lendlease's Euro Medium Term Note Programme with a 3.9 per cent coupon maturing in April 2027;
- $475 million of unsecured medium term notes issued in May 2013 ($375 million) and June 2014 ($100 million) in the Australian bond market comprising $250 million with a 5.5 per cent per annum coupon that matured and was repaid in November 2018 and $225 million with a 6.0 per cent per annum coupon maturing in May 2020 and has been classified as current for June 2019; and
- $80 million of unsecured medium term notes issued as an A$ private placement in December 2018 with a 5.4 per cent per annum coupon maturing in December 2028.

Bank credit facilities include:

- £400 million club bank facility maturing in March 2023 drawn to $145 million as at 30 June 2019;
- $1,800 million syndicated cash advance facility. During the year, tranche A of the facility was increased to $900m and the maturity extended to December 2021 (June 2018: $600 million maturing in June 2019) and the maturity of tranche B was extended to September 2022. As at 30 June 2019, tranche A was drawn to $110 million and tranche B was undrawn; and
- $960 million A$ syndicated loan facility, maturing in March 2024. As at 30 June 2019, the $725 million tranche A was fully drawn and the $235 million tranche B was undrawn.

The bank overdraft facilities may be drawn at any time and are repayable on demand.

The Group has not defaulted on any obligations in relation to its borrowings and financing arrangements.

	INTEREST EXPOSURE			CURRENCY				
	Fixed $m	Floating $m	Total $m	A$ $m	US$ $m	£ $m	S$ $m	Total $m
June 2019								
Between one and five years	768	980	1,748	1,060		688		1,748
More than five years	959	8	967	78	567	8	314	967
Total	**1,727**	**988**	**2,715**	**1,138**	**567**	**696**	**314**	**2,715**
June 2018								
Between one and five years	1,008	511	1,519	700		819		1,519
More than five years	832	8	840		536	8	296	840
Total	**1,840**	**519**	**2,359**	**700**	**536**	**827**	**296**	**2,359**

c. Movement in Borrowings and Financing Arrangements

	Note	June 2019 $m	June 2018 $m
Balance at beginning of financial year	16a	2,359	2,152
Net proceeds from borrowings		293	151
Effect of foreign exchange rate movements		64	54
Other movements		(1)	2
Balance at end of financial year	**16a**	**2,715**	**2,359**

17. Issued Capital

Accounting Policies

Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are recognised as a deduction from equity.

Financial Disclosure	LENDLEASE CORPORATION LIMITED				LENDLEASE TRUST			
	June 2019		June 2018		June 2019		June 2018	
	No. of Shares m	$m	No. of Shares m	$m	No. of Units m	$m	No. of Units m	$m
Issued capital at beginning of financial year	584	1,297	583	1,290	584	920	583	919
Distribution reinvestment plan (DRP)[1]		3	1	7		1	1	1
Issued capital at end of financial year	**584**	**1,300**	**584**	**1,297**	**584**	**921**	**584**	**920**
Buyback at beginning of financial year[2]	(10)	(145)	-	-	(10)	(33)	-	-
On market buyback of stapled securities[2]	(10)	(140)	(10)	(145)	(10)	(34)	(10)	(33)
Buyback at end of financial year[2]	**(20)**	**(285)**	**(10)**	**(145)**	**(20)**	**(67)**	**(10)**	**(33)**
Balance reflected in Retained Earnings/ Reserves[2]		**285**		**145**		**67**		**33**
Issued capital at end of financial year	**564**	**1,300**	**574**	**1,297**	**564**	**921**	**574**	**920**

1. The final distribution reinvestment plan for the year ended June 2018 was neutralised by acquiring an equivalent number of stapled securities on market.
2. Stapled securities acquired as part of the Group's on market stapled security buyback have been recorded in retained earnings for the Company and in Buyback Reserves for Lendlease Trust.

a. Issuance of Securities

As at 30 June 2019, the Group had 564 million stapled securities on issue, equivalent to the number of Lendlease Corporation shares and Lendlease Trust (LLT) units on issue as at that date. The issued units of LLT are not owned by the Company and are therefore presented separately in the Consolidated Statement of Financial Position within equity.

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Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

17. Issued Capital continued

b. Security Accumulation Plans

The Group's Distribution Reinvestment Plan (DRP) was reactivated in February 2011. The last date for receipt of an election notice for participation in the DRP is 27 August 2019. The issue price is the arithmetic average of the daily volume weighted average price of Lendlease Group stapled securities traded (on the Australian Securities Exchange) for the period of five consecutive business days immediately following the record date for determining entitlements to distribution. If that price is less than 50 cents, the issue price will be 50 cents. Stapled securities issued under the DRP rank equally with all other stapled securities on issue.

c. Terms and Conditions

Issued capital for Lendlease Corporation Limited comprises ordinary shares fully paid. A stapled security represents one share in the Company stapled to one unit in LLT. Stapled securityholders have the right to receive declared dividends from the Company and distributions from LLT and are entitled to one vote per stapled security at securityholders' meetings. Ordinary stapled securityholders rank after all creditors in repayment of capital.

The Group does not have authorised capital or par value in respect of its issued stapled securities.

18. Capital Management

The Group assesses capital management as part of its broader strategic plan. The Group focuses on interrelated financial parameters, including return on equity, earnings growth and borrowing capacity. The Group also monitors its gearing ratio, leverage ratio, interest coverage ratio and weighted average cost of debt and maturity profile. These are all taken into account when the Group makes decisions on how to invest its capital and evaluate its existing investments.

The Group's capital includes total equity, borrowings and other interest bearing liabilities. When investing capital, the Group's objective is to deliver strong total securityholder returns and to maintain an investment grade credit rating by maintaining an appropriate financial profile. The Moody's/Fitch long term credit ratings at 30 June 2019 are Baa3/BBB- respectively (June 2018: Baa3/BBB-).

The capital structure of the Group can be changed by equity issuance, paying distributions to securityholders, the Distribution Reinvestment Plan and changing the level of debt. For further information on how the Group allocates and manages capital, refer to details of the Portfolio Management Framework in the Financial Area of Focus and Performance & Outlook sections of this Annual Report.

19. Liquidity Risk Exposure

Further information on liquidity risk is disclosed in Note 23 'Financial Risk Management'. As disclosed in Note 26 'Contingent Liabilities', in certain circumstances, the Company guarantees the performance of particular Group entities in respect of their obligations including bonding and bank guarantees. Issued bank guarantees have cash collateralisation requirements if the bank guarantee facility is not renewed by the provider.

At 30 June 2019, the Group does not anticipate a significant liquidity risk in relation to these facilities in the next 12 months. This is due to its continued strong cash flows and the Group's financial profile, which includes significant committed undrawn facilities and low gearing ratio.

The Group has provided collateral of $nil (June 2018: $nil) against letter of credit facilities.

The following are the contractual cash flow maturities of financial liabilities including estimated interest payments.

	Note	Carrying Amount $m	Contractual Cash Flows $m	Less Than One Year $m	One to Two Years $m	Two to Five Years $m	More Than Five Years $m
June 2019							
Non Derivative Financial Liabilities							
Trade and other payables[1]	22	5,566	5,785	4,513	662	559	51
Borrowings and financing arrangements	16a	2,715	3,295	354	119	1,749	1,073
Total		**8,281**	**9,080**	**4,867**	**781**	**2,308**	**1,124**
Derivative Financial Liabilities							
(Outflow)			(434)	(428)	(4)	(1)	(1)
Inflow		7	432	432			
Total		**7**	**(2)**	**4**	**(4)**	**(1)**	**(1)**
June 2018							
Non Derivative Financial Liabilities							
Trade and other payables[1]	22	5,408	5,426	4,237	547	593	48
Borrowings and financing arrangements	16a	2,359	3,101	622	367	1,150	963
Other financial liabilities		1	1				
Total		**7,768**	**8,528**	**4,859**	**914**	**1,743**	**1,011**
Derivative Financial Liabilities							
(Outflow)			(148)	(140)	(6)	(1)	(1)
Inflow		3	148	141	6	1	
Total		**3**	**-**	**1**	**-**	**-**	**(1)**

1. The carrying amount of trade and other payables excludes $1,375 million of current and $184 million of non current amounts (June 2018: $1,533 million of current and $360 million of non current amounts) as they do not meet the definition of a financial liability under Australian Accounting Standards.

Other contractually committed cash flows the Group is exposed to are detailed in Note 20 'Commitments'.

20. Commitments

The Group leases land and buildings, and plant and equipment under non cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	June 2019 $m	June 2018[1] $m
a. Operating Lease Commitments		
The estimated aggregate amount of non cancellable operating lease expenditure agreed or contracted but not provided for in the financial statements is as follows:		
Land and buildings – self occupied	700	669
Plant and equipment	52	25
Total	**752**	**694**

	June 2019 $m	June 2018[2] $m
At balance date, commitments in relation to non cancellable operating leases are payable as follows:		
Due within one year	127	92
Due between one and five years	298	236
Due later than five years	327	366
Total	**752**	**694**

	June 2019 $m	June 2018[3] $m
b. Investments		
At balance date, capital commitments existing in respect of interests in equity accounted investments and other investments contracted but not provided for in the financial statements are as follows:		
Due within one year	292	220
Due between one and five years	340	278
Due later than five years		28
Total	**632**	**526**

1. June 2018 Land and buildings - self occupied has been restated by a $73 million increase to reflect updated management information.
2. June 2018 Due within one year has been restated by a $1 million increase, Due between one and five years has been restated by a $7 million increase, and Due later than five years by a $65 million increase to reflect updated management information.
3. June 2018 Due within one year has been restated by a $93 million increase and Due between one and five years has been restated by a $252 million increase to reflect updated management information.

Lendlease Financial Statements

Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

21. Loans and Receivables

Accounting Policies

Loans and receivables, which include **trade and other receivables,** are non derivative financial assets with fixed or determinable payments that are not equity securities. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Other receivables include receivables related to investment management, property development, and miscellaneous items.

Loans and receivables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash receipts over the term of the loans and receivables. Cash flows relating to short term trade and other receivables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as revenue over the remaining term.

The Group assesses provision for impairment of loans and receivables based on expected loss, if material. The Group considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Group's historical impairment experience, credit assessment of customers and any relevant forward looking information. The amount of the provision is recognised in the Income Statement.

Retentions receivable on construction contracts represent deposits held by the Group until the satisfaction of conditions specified in the contract are rectified.

a. Financial Disclosure

	Note	June 2019 $m	June 2018 $m
Current			
Trade receivables[1]		1,012	929
Less: Impairment		(13)	(12)
		999	**917**
Related parties		76	120
Retentions		330	308
Contract debtors[1]	21b	349	688
Accrued income[1]	21b	57	377
Other receivables[1]		241	261
Less: Impairment		(2)	(1)
Total current		**2,050**	**2,670**
Non Current			
Related parties		38	78
Less: Impairment		(1)	(1)
Retentions		351	364
Other receivables		300	347
Total non current		**688**	**788**
Total loans and receivables		**2,738**	**3,458**

As at the reporting date, $640 million of the trade debtors were current (30 June 2018: $631 million[1]) and $372 million were past due (30 June 2018: $298 million). Of the past due amount, $359 million was not impaired (30 June 2018: $286 million). 'Past due' is defined under accounting standards to mean any amount outstanding for one or more days after the contractual due date. Of the total trade debtors, 18.6 per cent (30 June 2018: 13.0 per cent[1]) are aged greater than 90 days. Other than trade debtors, no other loans and receivables are considered past due at 30 June 2019 (30 June 2018: $nil).

1. June 2018 balances have been reclassified to align the presentation of comparative information to disclosures required under AASB 15 Revenue from Contracts with Customers. $688 million of Trade receivables and $377 million of Other receivables have been reclassified to Contract debtors and Accrued income respectively.

	June 2019 $m	June 2018 $m
Impairment		
Carrying amount at beginning of financial year	14	108
Bad and doubtful debts impairment loss net of provisions written back	2	2
Utilised bad and doubtful debts impairment provision		(100)
Other movements (including foreign exchange rate movements)		4
Carrying amount at end of financial year	**16**	**14**
Total impairment as a percentage of total loans and receivables	**0.6%**	**0.4%**

The credit quality of all loans and receivables, including those neither past due nor impaired, is assessed and monitored on an ongoing basis. To determine the impairment provision for the financial year, the Group considers how economic and market conditions will affect the creditworthiness of certain entities. The impairment provision relates to specific loans and receivables that have been identified as being impaired, including related party loans where the Group's interest in a development was via an equity accounted investment.

b. Contract Assets

	Note	June 2019 $m	June 2018 $m
Current			
Contract debtors		349	688
Construction contract assets	11	1,180	883
Accrued income		57	377
Total contract assets[1]		**1,586**	**1,948**

1. Movements in contract assets during the year relate primarily to the transfer of balances into Trade receivables as the right to receive payment from customers becomes unconditional.

22. Trade and Other Payables

Accounting Policies

Trade Creditors

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Group. Trade and other payables are settled in the normal course of business. Trade and other payables are carried at amortised cost using the effective interest method, which applies the interest rate that discounts estimated future cash outflows over the term of the trade and other payables. Cash flows relating to short term trade and other payables are not discounted if the effect of discounting is immaterial. The discount, if material, is then recognised as an expense over the remaining term.

Construction contract liabilities

Construction contracts where the total progress billings issued to clients (together with foreseeable losses if applicable) on a project exceed the costs incurred to date plus recognised profit on the contract are recognised as a liability.

Retentions

Retentions are amounts payable for the purpose of security and for the provision of defects in accordance with contract terms. Release of retention amounts are in accordance with contractual terms.

Unearned Income

Primarily relates to unearned income and deposits received in advance on presold apartments. These amounts will be recognised as income in line with the 'Sale of development properties' accounting policy in Note 4 'Revenue from Contracts with Customers'.

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Notes to Consolidated Financial Statements continued

Section C: Liquidity and Working Capital continued

22. Trade and Other Payables continued

a. Financial Disclosure

	Note	June 2019 $m	June 2018 $m
Current			
Trade and accrued creditors		3,136	3,407
Construction contract liabilities[1]	22b	1,404	1,014
Related parties		18	11
Retentions[2]		476	396
Deferred land payments[2]		98	85
Unearned Income[3,4]	22b	283	689
Other[4]		309	168
Total current		**5,724**	**5,770**
Non Current			
Trade and accrued creditors		7	13
Retentions[2]		309	331
Deferred land payments[2]		635	549
Unearned income[3,4]	22b	183	360
Other[4]		267	278
Total non current		**1,401**	**1,531**
Total trade and other payables		**7,125**	**7,301**

1. As a result of the adoption of AASB 15 *Revenue from Contracts with Customers*, the June 2018 description has been changed from Construction revenue - amounts due to customers to Construction contract liabilities.
2. June 2018 current ($481 million) and non current ($880 million) Retentions and Deferred payments balance has been reclassified to separately present Retentions and Deferred land payments.
3. Includes unearned income liabilities from PLLACes transactions. PLLACes transactions involve selling the presold apartment cash flows for a specific development project to a third party for cash consideration.
4. June 2018 balances have been reclassified to align the presentation of comparative information to disclosures required under AASB 15 *Revenue from Contracts with Customers*. $689 million of current other payables and $360 million of non current other payables has been reclassified to current and non current unearned income respectively.

b. Contract Liabilities

	June 2019 $m	June 2018 $m
Current		
Unearned income[1]	283	689
Construction contract liabilities[2]	1,404	1,014
Total current	**1,687**	**1,703**
Non Current		
Unearned income[1]	183	360
Total non current	**183**	**360**
Total contract liabilities	**1,870**	**2,063**

1. Movements in Unearned income relates primarily to PLLACes transactions and residential pre-sales settled during the year, deposits received for development properties and transfers between non current and current.
2. Movements in Construction contract liabilities relate primarily to billings raised during the year in excess of revenue recognised on construction contracts with customers and losses recognised on engineering projects during the year. The increase in billings during the year relates primarily to new projects secured and commencing during the year.

During the year the Group recognised $1,405 million in revenue from contracts that held a contract liability balance at the beginning of the financial year.

The total transaction price allocated to unsatisfied performance obligations on the Group's construction contracts as at June 2019 is $15.6 billion for the core business and $5.4 billion for the non core business, which is the construction backlog reported in the Performance and Outlook section of the Director's report. This includes new work secured during the period. Of the total construction backlog, 53 per cent is expected to be realised within the next 12 months to June 2020, 25 per cent to June 2021 and the remaining 22 per cent realised post June 2021.

The total transaction price relating to the Group's unearned income on the Group's development contracts at June 2019 is $2,417 million, relating primarily to presold residential apartments at Elephant and Castle and Deptford. The difference between the Unearned income amount noted in the table above and this amount primarily relates to the remaining value of apartments versus the deposit amount received. Revenue from these contracts is expected to be realised as control over each asset is transferred to the customer.

Section D: Risk Management

The Group's activities expose it to a variety of financial risks. The Group's overall financial risk management strategy focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the Group's performance. Treasury policies have been approved by the Board for managing this risk. This section contains disclosures of financial risks the Group is exposed to and how the Group manage these risks. The impact of contingent liabilities is also considered in this section.

23. Financial Risk Management

The Group operates across numerous jurisdictions and markets. The Lendlease Asset and Liability Committee oversees the management of the Group's treasury risks, within the parameters of a Board approved Treasury Policy, and maintains a Group wide framework for financial risk management and reviews issues of material risk exposure within the scope of the Treasury Policy. A summary of key risks identified, exposures and management of exposures is detailed in the table below.

Risks Identified	Definition	Exposures	Management of Exposures
Foreign Currency	The risk in local currency terms that the value of a financial commitment or a recognised asset or liability, will fluctuate due to changes in foreign currency exchange rates	• Foreign currency earnings • Net investments in foreign operations • Transactions settled in foreign currency • Further information on exposures is detailed in Note 23a 'Foreign Currency Risk Exposure'	• Physical financial instruments, including natural hedges from matching foreign assets and liabilities • Derivative financial instruments, mainly foreign exchange contracts • Contracting out • Speculative trading is not permitted
Credit	The risk that a counterparty will not be able to meet its obligations in respect of a financial instrument, resulting in a financial loss to the Group	• Recoverability of loans and receivables • Recoverability of other financial assets and cash deposits • Further information on exposures is detailed in Note 23b 'Credit Risk Exposure'	• Policies in place so that customers and suppliers are appropriately credit assessed • Treasury Policy sets out credit limits for each counterparty based on minimum investment grade ratings
Liquidity	The risk of having insufficient funds to settle financial liabilities as and when they fall due	• Insufficient levels of committed credit facilities • Settlement of financial liabilities • Further information on exposures is detailed in Note 19 'Liquidity Risk Exposure'	• Maintaining sufficient levels of cash and committed credit facilities to meet financial commitments and working capital requirements • Managing to funding portfolio benchmarks as outlined in the Treasury Policy • Timely review and renewal of credit facilities
Interest Rate	The risk that the value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates	• Financial assets, mainly cash at bank • Financial liabilities, mainly borrowings and financing arrangements • Further information on exposures is detailed in Note 23c 'Interest Rate Risk Exposure'	• Physical financial instruments • Derivative financial instruments, mainly interest rate swaps • Managing to hedging limits in respect of recourse funding as outlined in the Treasury Policy • Speculative trading is not permitted
Equity Price	The risk that the fair value of either a traded or non traded equity investment, derivative equity instrument, or a portfolio of such financial instruments, increases or decreases in the future	• All traded and/or non traded financial instruments measured at fair value	• Material investments within the portfolio are managed on an individual basis. The Group's portfolio is monitored closely as part of capital recycling initiatives

Lendlease Limited Financial Statements 2019

Notes to Consolidated Financial Statements continued

Section D: Risk Management continued

23. Financial Risk Management continued

a. Foreign Currency Risk Exposure

The **net asset exposure** by currency is detailed below.

	A$m	US$m	£m	S$m	€m	CNY m	MYR m[1]	Other m[2]
June 2019								
Net asset/(liability) exposure (local currency)	3,380	645	476	462	118	569	1,047	37
June 2018								
Net asset/(liability) exposure (local currency)	4,587	507	173	264	90	290	977	43

1. The June 2018 balance has been restated to include the total MYR net asset exposure.
2. Other currency is translated and disclosed in AUD.

Sensitivity Analysis

The sensitivity analysis of the Group's Australian dollar denominated Income Statement and Statement of Financial Position to foreign currency movements is based on a 10 per cent fluctuation (June 2018: 10 per cent fluctuation) on the average rates during the financial year and the spot rate at balance date respectively. This analysis assumes that all other variables, in particular interest rates, remain constant, and excludes the effects of the foreign exchange contracts.

A 10 per cent movement in the average foreign exchange rates would have impacted the Group's Profit after tax as follows.

	10% WEAKENING LEADS TO INCREASE/(DECREASE) IN PROFIT AFTER TAX		10% STRENGTHENING LEADS TO INCREASE/(DECREASE) IN PROFIT AFTER TAX	
	June 2019 $m	June 2018 $m	June 2019 $m	June 2018 $m
USD	14	23	(12)	(18)
GBP	3	13	(5)	(11)
SGD	8	3	(6)	(3)
EUR			1	
CNY	1	(1)	(1)	
MYR	(2)	(1)	1	1
	24	**37**	**(22)**	**(31)**

A 10 per cent movement in the foreign exchange spot rates at balance date would have impacted the Group's net assets as follows.

	10% WEAKENING LEADS TO INCREASE/(DECREASE) IN NET ASSETS		10% STRENGTHENING LEADS TO INCREASE/(DECREASE) IN NET ASSETS	
	June 2019 $m	June 2018 $m	June 2019 $m	June 2018 $m
USD	103	72	(83)	(59)
GBP	86	37	(86)	(30)
SGD	51	29	(46)	(24)
EUR	20	15	(17)	(13)
CNY	13	7	(11)	(5)
MYR[1]	40	37	(33)	(30)
	313	**197**	**(276)**	**(161)**

1. The June 2018 balance has been restated to include the total MYR net asset exposure.

b. Credit Risk Exposure

- The maximum exposure to credit risk at balance date on financial instruments recognised in the Statement of Financial Position (excluding investments of the Group) equals the carrying amount, net of any impairment.
- The Group is not exposed to any significant concentrations of credit risk on either a geographic or industry specific basis.
- Credit risk on financial instruments is managed under a Board approved credit policy that determines acceptable counterparties. Derivative counterparties and cash deposits are limited to recognised financial intermediaries with a minimum investment grade credit rating as determined by a recognised rating agency.
- Refer to Note 21 'Loans and Receivables' for information relating to impairment on loans and receivables.
- In certain circumstances, the Group will hold either financial or non financial assets as collateral to further mitigate the potential credit risk on selected transactions. During the current and prior year, the Group did not hold financial or non financial assets as collateral. At any point in time, the Group will hold other collateral such as bank guarantees and performance bonds to mitigate potential credit risk as a result of default by a counterparty or otherwise.

c. Interest Rate Risk Exposure

The Group's exposure to interest rate risk on its financial assets and liabilities is set out as follows.

	CARRYING AMOUNT	
	June 2019 $m	June 2018 $m
Fixed Rate		
Financial assets	770	437
Financial liabilities	(1,806)	(1,900)
	(1,036)	**(1,463)**
Variable Rate		
Financial assets	476	654
Financial liabilities	(990)	(521)
	(514)	**133**

Sensitivity Analysis

At 30 June 2019 it is estimated that an increase of one percentage point in interest rates would have decreased the Group's equity and Profit after tax by $21 million (June 2018: $10 million decrease in the Group's equity and Profit after tax). A one percentage point decrease in interest rates would have increased the Group's equity and Profit after tax by $21 million (June 2018: $10 million increase in the Group's equity and Profit after tax). The increase or decrease in interest income/(expense) is proportional to the increase or decrease in interest rates. Interest rate derivatives have been included in this calculation.

24. Hedging

Accounting Policies

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities. Derivative financial instruments are recognised initially at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. Hedge accounting recognises the offsetting effects on profit or loss of changes in the fair value of the derivative financial instruments and the hedged item. The accounting for hedges that meet the criteria for hedge accounting are classified as either fair value hedges, cash flow hedges or investment hedges.

The Group has minimal hedges designated at fair value. The Group primarily uses forward foreign exchange contracts as cash flow hedges for highly probable sale, purchase and dividend transactions. The Group also uses forward foreign exchange contracts to hedge cross border intercompany loans and transactions which mainly net off in the Income Statement. Interest rate swaps and interest rate options are used to manage the Group's exposure to interest rates arising from borrowings. These are treated as cash flow hedges and are mainly on borrowings within equity accounted investments.

The Group has foreign exchange derivative contracts primarily held in USD, EUR, SGD, JPY and MYR at reporting date to hedge specific foreign currency exposures. The total gross payable exposure is $249 million (June 2018: $168 million).

There are 72 foreign currency contracts that will mature in more than one year (June 2018: 47 foreign currency contracts).

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Notes to Consolidated Financial Statements continued

Section D: Risk Management continued

25. Fair Value Measurement

Accounting Policies

The accounting policies for financial instruments held at fair value are included in Note 13 'Other Financial Assets' and Note 24 'Hedging'.

Management considers the valuation of the financial instruments to be an area of estimation uncertainty. While this represents the best estimation of fair value at the reporting date, the fair values may differ if there is volatility in market prices or foreign exchange rates in future periods.

All financial instruments recognised in the Statement of Financial Position, including those instruments carried at amortised cost, are recognised at amounts that represent a reasonable approximation of fair value, with the exception of the following borrowings.

		JUNE 2019		JUNE 2018	
	Note	Carrying Amount $m	Fair Value $m	Carrying Amount $m	Fair Value $m
Liabilities					
Current					
Commercial notes	16a	225	234	250	253
Non Current					
Commercial notes	16a	1,502	1,640	1,590	1,803

The fair value of commercial notes has been calculated by discounting the expected future cash flows by the appropriate government bond rates and credit margin applicable to the relevant term of the commercial note.

a. Basis of Determining Fair Value

The determination of fair values of financial assets and liabilities that are measured at fair value are summarised as follows:

- The fair value of unlisted equity investments, including investments in property funds, is determined based on an assessment of the underlying net assets, which may include periodic independent and Directors' valuations, future maintainable earnings and any special circumstances pertaining to the particular investment;
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted valuation techniques; these include the use of recent arm's length transactions, reference to other assets that are substantially the same, and discounted cash flow analysis; and
- The fair value of derivative instruments comprises forward foreign exchange contracts, which are valued using forward rates at balance date, and interest rate swap contracts, which are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates and includes consideration of counterparty risk adjustments.

b. Fair Value Measurements

The different levels for valuation method have been defined as follows:

- Level 1: The fair value is determined using the unadjusted quoted price for an identical asset or liability in an active market for identical assets or liabilities;
- Level 2: The fair value is calculated using predominantly observable market data other than unadjusted quoted prices for an identical asset or liability; and
- Level 3: The fair value is calculated using inputs that are not based on observable market data.

During the period, there were no material transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

26. Contingent Liabilities

The Group has the following contingent liabilities:

- There are a number of legal claims and exposures that arise from the normal course of the Group's business in respect of which no provision has been made. There is significant uncertainty as to whether a future liability will arise in respect to these items. Also, the amount of liability, if any, that may arise, cannot be measured reliably at this time. The Directors are of the opinion that all known liabilities have been brought to account and that adequate provision has been made for any anticipated losses arising from such liabilities.
- In certain circumstances, the Company guarantees the performance of particular Group entities in respect of their obligations. This includes bonding and bank guarantee facilities used primarily by the Construction business as well as performance guarantees for certain of the Company's subsidiaries.
- Securities Class Action
  On 18 April 2019, Lendlease Corporation and Lendlease Responsible Entity (Lendlease Group) were served with a shareholder class action proceeding filed in the Supreme Court of New South Wales on 18 April 2019 by David William Pallas and Julie Ann Pallas as trustees for the Pallas Family Superannuation Fund, represented by Maurice Blackburn. This proceeding alleges breaches of Lendlease Group's continuous disclosure obligations and misleading and deceptive conduct in relation to matters concerning projects within the engineering and services business and the effect that those projects had on Lendlease Group's financial performance and results. It is currently not possible to determine the ultimate impact of these claims, if any, on Lendlease Group. Lendlease Group denies the allegations and intends to vigorously defend this proceeding. The potential liability and costs in respect of the proceeding cannot be accurately assessed at this time.

Lendlease Corporation Limited ABN 32 000 226 228 and its controlled entities
Lendlease Group comprises Lendlease Corporation Limited and Lendlease Trust ABN 62 464 069 201 and its controlled entities
Lendlease Responsible Entity Limited ABN 65 090 849 739 AFSL 238 345 as responsible entity of Lendlease Trust
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Section E: Basis of Consolidation

This section provides information on how the Group structure affects the financial position and performance of the Group as a whole. The disclosures detail the types of entities and transactions included in the consolidation and those excluded.

27. Consolidated Entities

Accounting Policies

The Group consolidation comprises all subsidiaries controlled by the Company. Control exists when the Company:

- Has the power to direct the relevant activities such as key operating, financial and investing decisions;
- Has exposure or rights to variable returns from its involvement with the investee such as dividends, loans and fees; and
- Has the ability to use its power over the investee to affect the amount of returns.

In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Management uses accounting judgement in determining whether the Group controls an entity by applying the above control criteria and reviewing the substance of its relationship with the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies with adjustments made to bring into line any dissimilar accounting policies that may exist.

External non controlling interests are allocated their share of total comprehensive income and are presented within equity in the consolidated Statement of Financial Position, separately from the equity of securityholders.

The material consolidated entities of the Group listed below were wholly owned during the current and prior year. Refer to the following section for details on the disposal of entities.

PARENT ENTITY
Lendlease Corporation Limited
AUSTRALIA
Capella Capital Lendlease Pty Limited
Capella Capital Partnership
Lendlease Building Pty Limited
Lendlease Building Contractors Pty Limited
Lendlease Communities (Australia) Limited
Lendlease Development Pty Limited
Lendlease Engineering Pty Limited
Lendlease Finance Limited
Lendlease Infrastructure Investments Pty Limited
Lendlease International Pty Limited
Lendlease Real Estate Investments Limited
Lendlease Responsible Entity Limited
Lendlease Services Pty Limited
Lendlease Trust[1]

EUROPE
Lendlease Construction (Europe) Limited
Lendlease Construction Holdings (Europe) Limited
Lendlease Europe Finance plc
Lendlease Europe Limited
Lendlease Residential (CG) Limited
Lendlease (Elephant & Castle) Limited
ASIA
Lendlease Japan Inc.
Lendlease Singapore Pte. Limited
AMERICAS
Lendlease (US) Capital, Inc.
Lendlease (US) Construction, Inc.
Lendlease (US) Construction LMB, Inc.
Lendlease (US) Public Partnerships, LLC
Lendlease (US) Public Partnerships Holdings LLC
Lendlease Development, Inc.

1. Lendlease Trust is a consolidated entity of the Group as the parent entity is deemed to control it. Lendlease Trust is not wholly owned.

During the current and prior year, there were no **acquisitions** of material consolidated entities.

The following material **disposals** of consolidated entities occurred during the current and prior year.

	Ownership Interest Disposed %	Date Disposed	Gross Consideration Received/Receivable $m
June 2019			
Australia			
Americas Residential Partnership[1]	50.0	19 July 2018	172
June 2018			
Australia			
Lendlease Retirement Living Trust	25.0	18 December 2017	510
LRIP LP	80.0	21 December 2017	197

1. Represents the disposal of four entities relating to the Americas Residential Partnership. Refer to Note 6 Other Income for further details.

28. Employee Benefit Vehicles

The Company sponsors a number of employee benefit vehicles, including employee security plans and employee security ownership vehicles. These vehicles while not legally controlled, are currently required to be consolidated for accounting purposes.

a. Employee Security Plans

As at 30 June 2019, employees own approximately 1.0 per cent (June 2018: 1.0 per cent) of the issued capital of the Group through various active Lendlease employee security plans and ownership vehicles details of which are outlined below.

- Australia: Employee Share Acquisition Plan (ESAP): ESAP was established in December 1988 for the purpose of employees acquiring securities in the Group and is funded by Lendlease subscriptions, and employee salary sacrifice contributions.
- Americas: US Rabbi Trust (Rabbi Trust) was established in 2004 and updated in 2005 for the acceptance of employee profit share contributions used to acquire Group securities for US based employees. This part of the plan is not currently accepting new contributions.
- Employee Share Acquisition Plan (STI) (ESAP STI): ESAP STI was established in July 2014 for the purpose of acquiring and allocating securities granted as the deferred component of Short Term Incentive (STI) awards which are funded by Lendlease subscriptions. Securities are currently allocated to employees across Australia, Singapore, Malaysia, the United Kingdom and the United States.

Eligibility

The eligibility rules for each plan are determined by reference to the regulatory, legal and tax rules of each country in which the Group operates.

Distributions and/or Voting Rights

Generally, employees in the various operating security plans are entitled to distributions and voting rights for allocated securities. The plans reflect this intention subject to regulatory, legal and tax constraints. The trustee may exercise these rights in accordance with any fiduciary or governance rules pertaining to the deed or trust laws in the legal and tax jurisdiction within which the trust operates.

b. Employee Security Ownership Vehicles

In addition to the plans discussed above, Lendlease has an employee security ownership vehicle, Lendlease Retirement Benefit Fund (RBF).

- RBF was established in 1984 with shareholder approval for the benefit of employees. RBF holds Lendlease securities. The Lendlease securities in RBF are not available for allocation to employees other than in the event of a change of control of the Group and, in accordance with RBF's trust deed, the capital of the trust is not available to the Group. The RBF trustee has discretion as to the distribution of the RBF funds. In 1992, a deed poll was executed which allows for the distribution of the income of RBF to the Company to fund employee benefit activities through the Lendlease Foundation. As a result of changes to the constitution and governance structure of the RBF trustee on 22 June 2017, Lendlease currently does not have control of RBF and therefore RBF is currently not required to be consolidated for accounting purposes.
- The RBF arrangement is subject to periodic review to assess its ongoing role and operation.

Notes to Consolidated Financial Statements continued

Section E: Basis of Consolidation continued

29. Parent Entity Disclosures

The following summarises the financial information of the Group's parent entity, Lendlease Corporation Limited (the Company), as at and for the year ended 30 June 2019.

	COMPANY	
	June 2019 $m	June 2018 $m
Results		
Profit after tax	110	752
Other comprehensive income after tax		
Total comprehensive income after tax	**110**	**752**
Financial Position		
Current assets	5,738	4,540
Non current assets	1,978	2,014
Total assets	**7,716**	**6,554**
Current liabilities	4,844	3,483
Non current liabilities	6	23
Total liabilities	**4,850**	**3,506**
Net assets	**2,866**	**3,048**
Issued capital	1,300	1,297
Treasury securities	(68)	(57)
Reserves	179	175
Retained earnings	1,455	1,633
Total equity	**2,866**	**3,048**

In respect of the contingent liabilities of the Group disclosed in Note 26 'Contingent Liabilities', the Company participates in the provision of guarantees to Group entities.

30. Related Party Information

a. Consolidated Entities

Intragroup balances and transactions, and any unrealised gains or losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Investments in subsidiaries are carried at their cost of acquisition less impairments in the Company's financial statements.

Lendlease Corporation Limited provides financing and treasury services, which includes working capital facilities and long term financing. Interest is earned or incurred only on long term loans provided to or drawn with subsidiaries based on project specific risks and returns. Outstanding balances arising from working capital facilities and long term financing are typically unsecured and repayable on demand.

In addition, guarantees are provided to particular Group entities in respect of their obligations. These include bonding and bank guarantee facilities used primarily by the Construction business as well as performance guarantees for certain Development business commercial built form developments. Guarantee fees are charged under normal terms and conditions.

The following represents the transactions that occurred during the financial year and the balances outstanding at year end between Lendlease Corporation Limited and its consolidated entities.

	COMPANY	
	June 2019 $000s	June 2018 $000s
Transactions		
Guarantee fees	29,497	36,481
Dividend income	306,217	795,156
Interest income	10,249	10,212
Interest expense	106,282	61,027
Outstanding Balances (Net of Provisions Raised)		
Receivables	4,730,795	3,435,339
Payables	4,772,546	3,409,408

Transactions that occurred during the financial year between entities in the Lendlease Group included:

- Provision of project management, design services, construction management and engineering services to development projects;
- Provision of development management services;
- Provision of investment management services;
- Provision of payroll, transaction and management services;
- Receipt and payment of superannuation contributions;
- Reimbursement of expenses made on behalf of subsidiaries;
- Loan advances and repayments between subsidiaries;
- Premium payments and receipts for the Group's insurance policies; and
- Dividends received or due and receivable from subsidiaries.

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Notes to Consolidated Financial Statements continued

Section E: Basis of Consolidation continued

30. Related Party Information continued

b. Associates and Joint Ventures

Interests held in associates and joint ventures by Lendlease are set out in Note 12 'Equity Accounted Investments'.

Transactions between the Lendlease Group and its associates and joint ventures principally relate to:

- Development: development management services, infrastructure bid and advisory services and the sale and purchase of development properties with Lendlease managed funds;
- Construction: provision of project management, building, engineering and construction services; and
- Investments: provision of property and infrastructure investment management, property management and asset management services.

There were no non interest bearing loans provided to joint ventures at 30 June 2019 (June 2018: $nil).

Except as noted above, transactions and outstanding balances are typically on normal terms and conditions.

Revenue earned by Lendlease during the year as a result of transactions with its associates and joint ventures is as follows:

	June 2019 $000s	June 2018 $000s
Revenue		
Associates	5,808	5,917
Joint ventures	1,197,961	1,195,750
Total	**1,203,769**	**1,201,667**

Other transactions and outstanding balances with associates, joint ventures and other related parties have been disclosed in Note 4 'Revenue from Contracts with Customers', Note 6 'Other Income', Note 7 'Other Expenses', Note 8 'Finance Revenue and Finance Costs', Note 13 'Other Financial Assets', Note 21 'Loans and Receivables' and Note 22 'Trade and Other Payables'. Transactions with joint operations are included in the consolidated Income Statement and Statement of Financial Position.

c. Key Management Personnel

The key management personnel compensation is as follows:

	June 2019 $000s	June 2018 $000s
Short term employee benefits	16,388	15,545
Post employment benefits	398	381
Security based payments	11,135	9,368
Other long term benefits	299	176
Total	**28,220**	**25,470**

Information regarding individual Directors' and senior executives' remuneration is provided in the Remuneration Report within the Directors' Report.

Section F: Other Notes

31. Intangible Assets

Accounting Policies

Goodwill represents the excess of the purchase price over the fair value of the Group's share of the net identifiable assets and contingent liabilities of the acquired business at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets as goodwill. Goodwill on acquisition of associates is included in the carrying value of investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is not amortised. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purposes of impairment testing, goodwill is allocated to cash generating units (CGUs) (or groups of CGUs), that are expected to benefit from the business combination in which the goodwill arose. CGUs are an identifiable group of assets that generate cash associated with the goodwill. Management considers this is an area of estimation uncertainty as these calculations involve an estimation of the recoverable amount of the CGU to which the goodwill is allocated. The Construction CGU uses the value in use basis, which requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the recoverable amount.

Management agreements and other intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Note 7 'Other Expenses'). Amortisation is charged to the Income Statement on a straight line basis over the estimated useful lives of the intangible assets, ranging from three to 20 years.

Financial Disclosure	Note	June 2019 $m	June 2018 $m
Goodwill	31a	1,232	1,215
Management agreements		39	42
Other intangibles		186	164
Total intangible assets		**1,457**	**1,421**

a. Goodwill

Construction		1,200	1,185
Development		32	30
Total goodwill		**1,232**	**1,215**

Reconciliations

Reconciliations of the carrying amounts for each category of goodwill are as follows:

Construction			
Carrying amount at beginning of financial year		1,185	1,165
Effect of foreign exchange rate/other movements		15	20
Carrying amount at end of financial year	31b	**1,200**	**1,185**
Development			
Carrying amount at beginning of financial year		30	29
Effect of foreign exchange rate movements		2	1
Carrying amount at end of financial year		**32**	**30**

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Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

31. Intangible Assets continued

b. Goodwill Allocation

Goodwill relating to the Construction business is allocated to CGUs identified as set out below. During the financial year, the Group has identified an additional segment Non core - Engineering and Services as noted in Note 1 'Segment Reporting'. As a result of this change in segments, the Group has identified a corresponding change in CGU for goodwill impairment testing. The Construction Australia CGU has now been split into two CGUs, Construction Australia Core and Construction Australia Non core. Construction Australia Non core contains the Engineering and Services business. Goodwill has been re-allocated to each CGU on a relative value basis.

	June 2019 $m	June 2018 $m
Construction		
Australia		743
Australia Core	573	
Australia Non core	170	
Europe	248	244
Americas	201	190
Asia	8	8
Total construction goodwill	**1,200**	**1,185**

c. Impairment Tests and Key Assumptions Used – Construction

The recoverable amount of the Construction CGUs is determined based on value in use (VIU) calculations. For the Construction CGUs, the assumptions used for determining the recoverable amount of each CGU are based on past experience and expectations for the future, utilising both internal and external sources of data and relevant industry trends.

No impairment arose as a result of the review of goodwill for the Construction CGUs for the year ended 30 June 2019. Based on information available and market conditions at 30 June 2019, a reasonably foreseeable change in the assumptions made in this assessment would not result in impairment of Construction goodwill.

The following describes the key assumptions on which management has based its cash flow projections when determining VIU relating to the Construction CGUs.

Cash Flows

The VIU calculations use pre tax cash flow projections based on actual operating results, and financial forecasts covering a five year period which have been approved by management. These forecasts are based on management estimates to determine income, expenses, capital expenditure and cash flows for each CGU.

Growth Rate

The terminal value growth rate used to extrapolate the cash flows beyond the five year period is 3.0 per cent (June 2018: 3.0 per cent). The growth rate reflects the forecast long term average growth rate for each CGU and the countries in which they operate.

Discount Rate

The discount rates applied to the cash flow projections vary between 10.0 per cent and 13.2 per cent (June 2018: between 10.1 per cent and 13.2 per cent)[1]. The Group's weighted average cost of capital is used as a starting point for determining the discount rate, with appropriate adjustments for the risk profile relating to the relevant CGUs and the countries in which they operate. The discount rates used are pre tax.

1. The June 2018 pre tax discount rates have been restated to reflect a change in calculation methodology during the current financial year. There is no impact to the impairment assessment at June 2018 as a result of this change.

32. Defined Benefit Plans

Accounting Policies

Group companies operate pension plans. The plans are generally funded through payments to insurance companies or trustee administered funds as determined by periodic actuarial calculations.

A defined benefit plan is a pension plan that defines the amount of pension benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation i.e. 'the pension liability' at the balance sheet date less the fair value of plan assets. The present value of the pension liability is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds, that:

- Are denominated in the currency in which the benefits will be paid; and
- Have terms to maturity approximating the terms of the related pension liability.

The defined benefit obligation is calculated at least annually by independent actuaries using the projected unit credit method, which in simplistic terms proportions the benefit based on service. Management considers the valuation of defined benefit plans undertaken by the actuaries to be an area of estimation uncertainty as a number of key assumptions must be adopted to determine the valuation.

Actuarial losses/(gains) will arise where there is a difference between previous estimates and actual experience, or a change to assumptions in relation to demographic and financial trends. These actuarial losses/(gains) are recognised in the period they occur, directly in other comprehensive income as remeasurements. They are included in retained earnings in the Statement of Changes in Equity and in the Statement of Financial Position.

Past service costs are recognised immediately in the Income Statement.

Financial Disclosure	Note	June 2019 $m	June 2018 $m
Lend Lease Superannuation Plan		1	4
Lend Lease UK Pension Scheme	32a	139	151
Total defined benefit plan asset		**140**	**155**

a. Lend Lease UK Pension Scheme

Lendlease Construction Holdings (Europe) Limited (UK Construction) sponsors a funded defined benefit pension scheme (the Scheme) for qualifying UK employees. The Scheme is administered by a separate board of Trustees which is legally separate from UK Construction. The Scheme's Trustees are composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

The Scheme is a funded defined benefit scheme, with final salary section providing retirement benefits based on final salary and the index linked section providing retirement benefits based on career average salary. A separate section, the Personal Investment Section, provides retirement benefits on a defined contribution basis. The UK Construction's contributions to members' Personal Investment Fund accounts are not included in these disclosures.

The final salary section closed to future accruals on 31 August 2008 and the index linked section closed to future accruals on 31 January 2012. There were no Scheme amendments affecting defined benefits payable, curtailments or settlements during the year. UK Construction pays deficit funding contributions plus four per cent of members' basic salaries to cover the Scheme's expected administration costs and costs of benefits payable on death in service. The Scheme expects to pay $21 million in contributions to its defined benefit plan in 2019. This includes the annual deficit recovery payment as well as a one off contribution of $16 million, following the triennial valuation for 31 March 2017 where deficit repair contributions have been agreed for the period to March 2024. These contributions reduce the actuarial deficit.

The defined benefit plan is exposed to actuarial risk and market (investment) risk. Information which follows provides additional detail on risk.

Financial Disclosure	June 2019 $m	June 2018 $m
i. Statement of Financial Position Amounts		
The amounts recognised in the Statement of Financial Position are determined as follows:		
Defined benefit obligations	(1,208)	(1,077)
Fair value of plan assets	1,347	1,228
Net defined benefit plan asset	**139**	**151**

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Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

32. Defined Benefit Plans continued

Financial Disclosure	June 2019 $m	June 2018 $m
ii. Reconciliation of Defined Benefit Obligations		
Defined benefit obligations at beginning of financial year	1,077	1,140
Included in Income Statement		
Interest cost	30	29
Remeasurements Included in Other Comprehensive Income		
Actuarial loss/(gain) arising from:		
Financial assumptions	116	(87)
Experience adjustments	7	24
Demographic assumptions	7	(32)
Other		
Benefits paid	(48)	(56)
Effect of foreign exchange rate movements	19	59
Defined benefit obligations at end of financial year	**1,208**	**1,077**
iii. Reconciliation of the Fair Value of Plan Assets		
Fair value of plan assets at beginning of financial year	1,228	1,199
Included in Income Statement		
Interest income	35	31
Administration costs	(4)	(4)
Remeasurements Included in Other Comprehensive Income		
Actual return on plan assets excluding interest income	83	(23)
Other		
Contributions by Group companies	31	18
Benefits paid	(48)	(56)
Effect of foreign exchange rate movements	22	63
Fair value of plan assets at end of financial year	**1,347**	**1,228**
iv. Expense Recognised in the Income Statement		
Net interest cost	(5)	(2)
Administration costs	4	4
Net defined benefit plan (income)/expense	**(1)**	**2**
v. Fair Value of Plan Assets		
Plan assets comprise of:		
Global equities	422	382
Investment funds	417	359
Infrastructure	82	120
Government index linked bonds	335	305
Other assets	91	62
Fair value of plan assets at the end of the financial year	**1,347**	**1,228**

The investment funds target an absolute level of return. The plan assets can be categorised as Level 1, where the fair value is determined using an unadjusted quoted price for an identical asset, or Level 2, where the fair value is derived either directly or indirectly from observable inputs, or Level 3, where inputs are unobservable (i.e for which market data is unavailable). At year end, approximately $1,246 million (June 2018: $1,214 million) and $82 million (June 2018: nil) of total plan assets were categorised as Level 2 and Level 3 respectively. UK Construction and Trustees have agreed a long term strategy for reducing investment risk as and when appropriate. This includes an asset–liability matching policy which aims to reduce the volatility of the funding level of the pension plan by investing in assets that perform in line with the liabilities of the plan so as to protect against inflation being higher than expected. The current benchmark allocation is 75.0 per cent growth assets and 25.0 per cent matching assets (June 2018: 75.0 per cent growth assets and 25.0 per cent matching assets).

Financial Disclosures	June 2019	June 2018
vi. Principal Actuarial Assumptions		
Discount rate (%)	2.3	2.8
RPI inflation (%)	3.4	3.3
Average pension increase in payments (%)	2.7	2.7
Future mortality (years):		
Male	24.9	24.8
Female	26.4	26.3

The liabilities are calculated using a discount rate set with reference to corporate bond yield. If assets underperform this yield will create a deficit.

A decrease in corporate bond yield will increase the value placed on the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's corporate bond holdings. The majority of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities, although in most cases this will be capped to protect against extreme inflation. The majority of the assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit. The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities. The mortality assumptions are based on standard mortality tables which allow for expected future mortality improvements. The assumption is that a member aged 63 will live for a further 24.9 years (June 2018: 24.8 years) if they are male and 26.4 years if they are female (June 2018: 26.3 years).

At 30 June 2019, the weighted average duration of the defined benefit obligation was 19 years (June 2018: 19 years).

vii. Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below.

	0.1% Increase in Discount Rate $m	0.1% Decrease in Discount Rate $m	0.1% Increase RPI Inflation and Pension Payment $m	0.1% Decrease RPI Inflation and Pension Payment $m	1 Year Increase in Future Mortality $m	1 Year Decrease in Future Mortality $m
June 2019 Defined benefit asset/(obligations)	21	(20)	(16)	13	(41)	41
June 2018 Defined benefit asset/(obligations)	20	(20)	(16)	12	(40)	39

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Non pensioner benefits are linked to RPI in the period up to retirement. Once in payment, pension increases are linked to RPI but with a zero per cent floor and different caps applying to different periods of pensionable service. The inflation sensitivity reflects a change in RPI inflation and the associated increases in payment.

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Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

33. Employee Benefits

Detailed information regarding the Group's Executive Reward strategy is provided in the Remuneration Report within the Directors' Report. The key incentive plans are as follows:

- Short Term Incentive (STI);
- Short Term Award (STA);
- Long Term Incentive (LTI);
- Long Term Award (LTA); and
- Distinguished Executives Award (DE Award).

a. Short Term Incentive (STI)

The STI plan is an annual incentive plan whereby a number of employees receive benefits which are dependent upon the achievement of both Lendlease financial and non financial targets, and individual goals. The total value of the potential benefit varies by individual and is tested against relevant market levels for each role.

- The STI plan comprises a cash component, which is paid in September following year end. For more senior employees, where the potential benefit is typically higher, the plan also includes a deferred component.
- Deferral periods are generally for one or two years. The deferred component is normally awarded as Lendlease securities and in some instances as cash. Securities are held in Lendlease employee security plan trusts on behalf of employees for the deferral period (refer to Note 28a 'Employee Security Plans'). For employees to receive the deferred component in full, they must generally be employed by the Group at the time of vesting.

b. Short Term Award (STA)

The STA plan is an annual incentive plan which replaces the STI for a limited number of senior executives from 2019. It is designed to focus senior executives on priority areas for delivery in the current financial year, including key Group financial targets, safety and other non financial targets aligned to the Group's areas of focus.

Whilst performance is assessed against a set of group metrics when determining awards, the Board will assess the overall performance and contribution of individual senior executives, with a particular focus on safety.

The total value of the potential benefit varies by individual and is set with reference to both internal peers and external market levels. The STA plan is intended to be awarded as cash in September following year end.

c. Long Term Incentive (LTI)

The LTI plan is designed to:

- Motivate executives to achieve the Group's long term strategic goals and provide reward where the Group delivers better value to securityholders than its peers; and
- Align the interests of executives and securityholders, given that the reward received is linked to the Group's security price and average Return on Equity performance.

A summary of arrangements for LTI awards is provided in Note 33d below.

d. Long Term Award (LTA)

The LTA plan replaces the LTI for a limited number of executives from 2019. It is designed to motivate and reward key executives to deliver on the Group's long term strategy and to allow them to share in the value created for securityholders. Specifically, the objectives are to:

- Create rewards that are aligned to earnings
- Align the interests of securityholders and our most senior executives
- Promote team behaviours and an enterprise leadership mindset
- Retain the senior executive team

The intended outcome is that reward and strategy are better aligned.

Arrangements for LTI awards

LTI design	How the LTI works
Performance Securities	• An annual grant of 'performance securities' is made to a limited number of executives. • The Board intends that the awards be settled in Lendlease securities, although the award may be settled in cash or other means at the Board's discretion. • On vesting, each performance security entitles executives to one Lendlease stapled security, or at the Board's discretion, cash or other instruments of equivalent value. • In the event of a change in control of the Group, the Board has the discretion to determine whether the vesting of some or all performance securities should be accelerated.
Performance Period (applicable to June 2015 to 2018 financial years)	• 50 per cent of the performance securities are assessed over a three year period. If the performance hurdle is not fully achieved at this time, those performance securities that have not vested will lapse. • The remaining 50 per cent of the performance securities are assessed after four years. • If the performance hurdle is not met, the awards are forfeited. • There is no retesting on any portion of the LTI grant.
Performance Period (applicable to June 2019 financial year)	• 100 per cent of the performance securities are assessed over a three year period. If the performance hurdle is not fully achieved at this time, those performance securities that have not vested will lapse. • If the performance hurdle is not met, the awards are forfeited. • There is no retesting on any portion of the LTI grant.
Termination of Employment	• If the executive resigns or is terminated for cause, the unvested LTI is forfeited. • If the executive is terminated and if the Board considers vesting would provide a benefit that was unwarranted or inappropriate, the Board can adjust unvested LTI prior to the vesting date. • For 'good leavers', the LTI grant may remain on foot, subject to the original performance hurdles. • In exceptional circumstances (such as death or total permanent disability), the Board may exercise discretion and settle the award at the time of termination of employment.
Performance Hurdles	**June 2014 to 2019 Financial Years** • 50 per cent subject to Lendlease's Total Securityholder Return (TSR) compared to the companies in the S&P/ASX 100 Index. The S&P/ASX 100 companies are determined at the start of the performance period. • 50 per cent subject to Average Return on Equity (ROE) hurdle.

Vesting Schedule – TSR (applicable to June 2015 to 2019 financial years)

Relative TSR percentile ranking	Percentage of relative TSR performance securities that vest if the hurdle is met
Below the 50th percentile	No vesting
At the 50th percentile	50 per cent vesting
At or above the 51st percentile but below the 75th percentile	Pro rata vesting on a straight line basis between 52 per cent and 98 per cent
At the 75th percentile or greater	100 per cent vesting

Vesting Schedule – ROE (applicable to June 2015 to 2017 financial years)

Average ROE over the performance period	Percentage of ROE performance securities that vest if the hurdle is met
Less than 11 per cent	No vesting
At or above 11 per cent but below 15 per cent	Pro rata vesting on a straight line basis between 25 per cent and 100 per cent
15 per cent or greater	100 per cent vesting

Vesting Schedule – ROE (applicable to June 2018 to 2019 financial years)

Average ROE over the performance period	Percentage of ROE performance securities that vest if the hurdle is met
10 per cent or less	No vesting
Above 10 per cent but below 14 per cent	Pro rata vesting on a straight line basis between 0 per cent and 100 per cent
14 per cent or greater	100 per cent vesting

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Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

33. Employee Benefits continued

Arrangements for LTA awards

LTA design	How the LTA works
Performance Rights	• An annual grant of 'performance rights' is made to a limited number of executives on the Global Leadership Team. • The Board intends that the awards be settled in Lendlease securities, although some or all of the award may be settled in cash at the Board's discretion. • Performance rights are rights to receive a variable number of Lendlease securities or at the discretion of the Board, cash with an equivalent value, upon vesting. • Outcomes against performance hurdles will determine how many Lendlease securities will be received following vesting between a minimum and maximum number. • In the event of a change in control of the Group, the Board has the discretion to determine whether the vesting of some or all performance rights should be accelerated.
Performance Period (applicable to June 2019 financial year)	• 100 per cent of the performance rights are assessed over a three year period and the number of Lendlease securities that may be delivered on vesting is determined. The first tranche will vest immediately thereafter, and the second, third and fourth tranches will be deferred and will vest progressively four, five and six years after the grant date. • If the performance hurdle is not met, the awards above the minimum award number are forfeited • There is no retesting on any portion of the LTA grant.
Termination of Employment	• If the executive resigns and becomes engaged in activities that are competitive with the Group or is terminated for cause, the unvested LTA is forfeited. • If the executive is terminated and if the Board considers vesting would provide a benefit that was unwarranted or inappropriate, the Board has the discretion to lapse some or all performance rights prior to the vesting date. • For 'good leavers', the LTA grant may remain on foot, subject to the original performance hurdles.
Performance Hurdles	**June 2019 Financial Year** • 50 per cent subject to Lendlease's Total Securityholder Return (TSR) compared to the companies in the S&P/ASX 100 Index. The S&P/ASX 100 companies are determined at the start of the performance period. • 50 per cent subject to Return on Equity (ROE) hurdle.

Vesting Schedule - TSR (applicable to June 2019 financial year)

Relative TSR percentile ranking	Percentage of relative TSR performance securities that vest if the hurdle is met (Group CEO)	Percentage of relative TSR performance securities that vest if the hurdle is met (Senior Executives)
Below the 50th percentile	13.5 per cent vesting (Award Minimum)	31.25 per cent vesting (Award Minimum)
At the 50th percentile	50 per cent vesting	50 per cent vesting
At or above the 51st percentile but below the 75th percentile	Pro rata vesting on a straight line basis between 54 per cent and 146 per cent	Pro rata vesting on a straight line basis between 56 per cent and 194 per cent
At the 75th percentile or greater	150 per cent vesting	200 per cent vesting

Vesting Schedule – ROE (applicable to June 2019 financial year)

Average ROE over the performance period	Percentage of ROE performance securities that vest if the hurdle is met (Group CEO)	Percentage of ROE performance securities that vest if the hurdle is met (Senior Executives)
10 per cent or less	13.5 per cent vesting (Award Minimum)	31.25 per cent vesting (Award Minimum)
Between 10 per cent and the target ROE per cent set by the Board	Pro rata on a straight line basis between 13.5 per cent and 100 per cent	Pro rata on a straight line basis between 31.25 per cent and 100 per cent
At the target ROE per cent set by the Board	100 percent vesting	100 per cent vesting
Between the target ROE per cent set by the Board and 14 per cent	Pro rata vesting on a straight line basis between 100 per cent and 150 per cent	Pro rata vesting on a straight line basis between 100 per cent and 200 per cent
At 14 percent or above	150 per cent vesting	200 per cent vesting

e. Distinguished Executives Award

The Distinguished Executives Award (DE Award) is a program established to recognise and reward Lendlease technical mastery and significant contribution to the business. DE Awards are generally deferred over five and seven years. The deferred component is awarded as Lendlease securities and held in Lendlease employee security plan trusts on behalf of the employees. For employees to receive the deferred component, they must generally be employed by the Group at the time of vesting. DE Awards are valued based on the average price of on market purchases made in respect of these awards at the time of grant.

f. Amounts Recognised in the Financial Statements

LTI and LTA awards are valued using Monte-Carlo simulation methodology where the security price can be projected based on the assumptions underlying the Black-Scholes formula. Retention awards are valued by discounting the security price by the expected dividends assumed to be paid from the valuation date until the vesting date (if applicable). The model inputs include the Lendlease Group security price, a risk free interest rate, expected volatility and dividend yield. During the financial year ended 30 June 2019, a $50 million expense was recognised in the Income Statement in relation to equity settled security based payment awards (June 2018: $45 million).

34. Impact of New and Revised Accounting Standards

New and Revised Accounting Standards Adopted 1 July 2018

From 1 July 2018 the Group adopted AASB 15 *Revenue from Contracts with Customers* and consequential amendments. AASB 15 provides a new model for recognising revenue earned from a contract with a customer. AASB 15 is based on the principle that revenue is recognised when control of a good or service is transferred to a customer.

The Group utilised the cumulative approach to transition to AASB 15, therefore comparatives have not been restated. Comparatives continue to be accounted for in accordance with the Group's previous accounting policies outlined in the 30 June 2018 annual consolidated financial report.

The Group has assessed that all contracts where goods and services have been transferred in accordance with AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related interpretations at 1 July 2018 are considered completed contracts, and therefore have not been retrospectively adjusted. There has been no material financial impact as a result of adopting AASB 15 and therefore no adjustments to opening retained earnings. New disclosures have been included where required. Changes to disclosures include reclassification of prior period balances to align the presentation of comparative information to the new disclosure requirements.

See below for details on impact on adoption of the new standard:

Revenue	Recognition in previous reporting periods	Recognition under AASB 15
Construction and Development services	Revenue was recognised in proportion to the stage of completion of the transaction measured by reference to contract costs incurred to date as a percentage of total forecast contract costs.	The Group continues to recognise revenue over time on a percentage of completion basis by reference to contract costs incurred to date as a percentage of total forecast contract costs.
Investment services	Revenue was recognised as services were rendered.	Revenue continues to be recognised as services are rendered.
Sale of development properties	Revenue was recognised when the significant risks and rewards of ownership had been transferred to the buyer, this was at practical completion of the asset. For the year ended 30 June 2019, revenue recognised based on this policy would have resulted in an increase to the Group's revenue by $148 million and an increase in cost of sales by $109 million. Trade receivables and inventories would have been adjusted by these amounts respectively.	The revenue recognition point for the sale of development properties has changed under the new standard from practical completion to settlement.

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Notes to Consolidated Financial Statements continued

Section F: Other Notes continued

34. Impact of New and Revised Accounting Standards continued

New Accounting Standards and Interpretations Not Yet Adopted

Accounting Standard	Requirement	Impact on Financial Statements
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* and consequential amendments	AASB 2014-10 amends AASB 10 and AASB 128 to clarify the requirements for recording the sale or contribution of assets between an investor and its associate or joint venture. The amendment becomes mandatory for the June 2023 financial year and will be applied prospectively.	Based on preliminary analysis performed, the amendments are not expected to have a material impact on the Group.
AASB 16 *Leases*	AASB 16 provides a new model for accounting for leases. The standard becomes mandatory for the June 2020 financial year and will be applied retrospectively using a cumulative approach. Using this approach, there is no requirement to restate comparatives. When applying this method, the Group can elect to apply a number of practical expedients on transition. The Group expects to apply the following practical expedients: • The ability to not reassess whether a contract is, or contains, a lease at the date of initial application; • The application of a single discount rate to a portfolio of leases; • The use of hindsight in determining the lease term; and • The decision to exclude a lease for which the lease term ends within 12 months of initial application.	Based on analysis performed, as a lessor, there is no material impact on the Group. As a lessee, on adoption the Group estimates it will: • Record a 'right to use' lease asset of approximately $465 million and lease obligation liabilities of approximately $547 million in the Statement of Financial Position for its material operating lease commitments; • The net difference between these balances will be recorded as an adjustment to equity to reflect the cumulative impact on initial adoption of the standard; and • Revise the Income Statement presentation of operating lease expense to record an amortisation and finance expense for the 'right to use' lease assets and the lease obligation liabilities, respectively. The estimated impact to the Income Statement for the June 2019 financial year would have been an approximately $15 million increase in expense.

35. Other Significant Accounting Policies

a. Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial report is presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into Australian dollars using the exchange rate on the date of the transactions. Assets and liabilities denominated in foreign currencies are translated to Australian dollars at balance date.

Foreign exchange gains or losses are recognised in the Income Statement for monetary assets and liabilities such as receivables and payables, except for qualifying cash flow hedges and qualifying net investment hedges in foreign operations that are recognised in other comprehensive income. Refer to Note 24 'Hedging' for further detail.

Translation differences on non monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Group Entities

The results and Statement of Financial Position of all Group entities that are not presented in Australian dollars (none of which has the currency of a hyperinflationary economy) are translated as follows:

- Revenue and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of transaction rate, in which case revenue and expenses are translated at the date of the transactions);
- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at balance date; and
- All resulting exchange differences are recognised in other comprehensive income, in the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

b. Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

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Directors' Declaration

In the opinion of the Directors of Lendlease Corporation Limited (the Company):

1. The financial statements and notes and the remuneration disclosures contained in the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
   a. Giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2019 and of their performance for the financial year ended on that date; and
   b. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in the Basis of Preparation.
3. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Group Chief Executive Officer and Group Chief Financial Officer for the financial year ended 30 June 2019.

Signed in accordance with a resolution of the Directors:

M J Ullmer, AO
Chairman

S B McCann
Group Chief Executive Officer and Managing Director

Sydney, 19 August 2019

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Independent Auditor's Report

To the members of Lendlease Corporation Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Lendlease Corporation Limited as the deemed parent presenting the stapled security arrangement of ***Lendlease Group*** (the Financial Report).

In our opinion, the accompanying Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Lendlease Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** of Lendlease Group comprises:

- Consolidated statement of financial position as at 30 June 2019;
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Lendlease Group*** (the Group) consists of Lendlease Corporation Limited and the entities it controlled at the year end or from time to time during the financial year and Lendlease Trust.

Shares in Lendlease Corporation Limited and units in Lendlease Trust are jointly traded as a Stapled Security on the Australian Securities Exchange under the name of Lendlease Group.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of Lendlease Group and Lendlease Corporation Limited in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

The ***Key Audit Matters*** we identified for Lendlease Group are:

- Construction Revenue Recognition
- Development Revenue Recognition
- Recoverability of Development Property Inventory
- Asset Valuation

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Construction Revenue Recognition (A$12,819m)

Refer to Note 4 'Revenue from Contracts with Customers' to the financial report

The key audit matter	How the matter was addressed in our audit
The Group performs various building, engineering and services construction contract works (projects) for a wide range of customers. The Group contracts in a variety of ways. Each project has a different risk profile based on its individual contractual and delivery characteristics. Revenue on construction contracts is earned over time typically using costs incurred as a proportion of total forecast costs as the measure of progress. We focused on construction revenue due to the judgment required in assessing the range of factors that impact the Group's estimate of costs and revenue, and the potential impact on profit. Estimating total forecast costs to complete during project life is complex and requires judgment. Typical cost estimates include labour, subcontractors, equipment, materials, and project overheads. Changes to these cost estimates could give rise to variances in the amount of revenue recognised.	Our procedures included: • Evaluation and testing of management's review and approval of revenue and cost forecasting; • Selection of a sample of contracts for testing using: - Data Analytic routines based on a number of quantitative and qualitative factors, related to size and risk of projects; and - the Group's project reporting tool. • For the sample selected, we: - conducted visits to a selection of project sites to understand project schedule, forecast revenue/cost and risks and opportunities and worked with KPMG engineering specialists where required; - read relevant contract terms and conditions to evaluate the inclusion of individual characteristics and project risks in the Group's estimates; - tested incurred costs to supplier invoices or other supporting evidence; - tested forecast costs for labour, subcontractors, equipment, materials, and project overheads by comparing to actual incurred spend and committed future contracts; and - tested the variations and claims included within revenue against the criteria for recognition in the accounting standards via assessment of: o correspondence between the Group and the customer; o The Group's legal basis for the variations and claims includes, where necessary external legal opinions; and o Management's evidence of the amounts they consider meet the recognition requirement of highly probable including historical experience in resolving variations and claims, commercial factors and the linkage of additional costs incurred to the claim or variation.
The revenue on construction contracts may also include variations and claims, which fall under either the variable consideration or contract modification requirements of AASB 15. These are recognised on a contract-by-contract basis when evidence supports that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.	

Development Revenue recognition (A$2,569m)

Refer to Note 4 'Revenue from Contracts with Customers' to the financial report

The key audit matter	How the matter was addressed in our audit
The Group develops for sale both built form product (for example residential apartments, commercial and retail buildings) and residential land communities. As development revenue is recognised based on an assessment of when control transfers to the purchaser, an assessment of the contractual terms of sale is required. This was a key audit matter due to the number of judgments required by us in assessing development revenue and profit recognition, in particular for commercial and retail building. The assessment of profit recognition includes judgment as cost allocation for site infrastructure costs is typically based on the proportion of revenue for each unit, lot or building as compared to total forecast project revenue.	Our procedures included: • Evaluation and testing of management's review and approval of development revenue and cost forecasting; • Selection of a sample of developments based on quantitative and qualitative information such as transaction size, settlements and the complexity of the contractual terms of sale; and • For the sample selected we: - compared revenue recognised to contractual terms of sale and cash settlements; - assessed the Group's determination of when control transfers by a detailed analysis of the contractual terms of sale against the criteria in the accounting standards; - tested settlements by performing statistical sampling of residential land communities and apartment sales to cash proceeds; and - assessed the Group's cost allocation methodology by comparing costs allocated to sales recognised in the year relative to the total project, against the Group's accounting policy and the requirements of the accounting standards.

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Recoverability of Development Property Inventory (A$4,376m)	
Refer to Note 11 'Inventories' to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The Group capitalises development costs into inventory over the life of its projects. Development costs include the purchase of land, site infrastructure costs, construction costs for built form product and borrowing costs. Inventory is carried at the lower of cost and net realisable value and the recoverability of these costs is a significant judgment as the assessment is based on forecasts of: • sales prices • forecast construction and infrastructure costs to complete the development Where a development is forecast to be loss making and the inventory is no longer considered to be recoverable, it is considered to be impaired and an expense is recognised. This was a key audit matter due to many developments being long term, which increases the level of forecasting judgment and audit complexity in estimating sales prices and future costs to complete the development.	Our procedures included: • Selection of a sample of projects for testing using: - Data Analytic routines based on a number of quantitative and qualitative factors, related to size, duration and risk of projects; and - the Group's project reporting tool. • For the sample selected, we: - compared expected sales prices to published industry forecasts and comparable sales prices achieved in the year; and - tested forecast construction and infrastructure costs to underlying supplier contracts, historical experience of similar costs and our industry expectation of cost contingency levels and cost escalation assumptions.

Asset Valuation	
Refer to Note 12 'Equity accounted investments' (A$3,452m), Note 13 'Other Financial Assets' (A$1,200m) and Note 25 'Fair Value Measurement' to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The Group is required to assess the value of equity accounted investments and other financial assets at each reporting date. Valuations of assets are generally performed using internal valuation methodologies (discounted cash flow or capitalised income approach) or through the use of external valuation experts. External valuations are obtained on a routine basis by management each year, with the remaining investments being valued internally. Other financial assets are predominantly investments in entities which in turn own commercial and retail property. Accordingly, the valuation assumptions are predominantly the capitalisation of earnings rates, discount rates, future rental income, capital expenditure projections and leasing incentives. Equity accounted investments include the Group's interest in the retirement living business. The key assumptions used in determining the value of retirement villages are discount rates, changes in village residents, current units/homes market prices and growth rates. The fair value of the properties held by various investment entities directly impacts the Group's interests in these assets. The valuations of these assets is a key audit matter as they: • are judgmental; • contain certain assumptions with estimation uncertainty, which are inherently challenging to audit; and • lead to additional audit effort often due to the high number of differing assumptions and models, across varying asset classes.	Our procedures included: • Assessment of the scope, competence and objectivity of external valuation experts engaged by management for assets valued by external valuation experts; • Evaluating and testing management's review and approval of internal valuations based on the Group's policies for internally valued assets; • Assessment of the valuation methodology for consistency with accounting standards and industry practice for the asset's class; and • Comparing, with market data published by commercial real estate agents and/or our knowledge of the nature of the asset and its historical performance, key assumptions such as: - discount rates - changes in village residents - units/home current market prices - capitalisation of earnings rates - future rental income - capital expenditure projections - leasing incentives

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Other Information

Other Information is financial and non-financial information in Lendlease Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Lendlease Corporation Limited are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinions.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we have obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing Lendlease Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Lendlease Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Lendlease Corporation Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of Lendlease Corporation Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 92 to 122 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Duncan McLennan
Partner

Sydney
19 August 2019

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Other Information

Joan Kirner Women's and Children's Hospital

Lendlease delivered the purpose-built Joan Kirner Women's and Children's Hospital in March 2019. The hospital will provide access to children's services so women in Melbourne's west are able to give birth closer to home.

Securityholder information

Lendlease Group Annual Report 2019

Securities exchange listing and code

Lendlease Group is listed on the Australian Securities Exchange and trades under the code LLC.

In the United States, Lendlease securities are traded on the 'over the counter' market in the form of sponsored American Depositary Receipts (ADRs) under the symbol LLESY. Each ADR represents one ordinary security. Information about ADRs is available from the depositary, The Bank of New York Mellon (www.adrbny.com).

Voting rights

Each stapled security in Lendlease Group and each ADR entitles the holder to one vote. Rights to Lendlease Group securities granted under Lendlease Group's employee equity incentive plans do not carry voting rights.

Share Accumulation Plan

The Share Accumulation Plan is designed to be a convenient way for securityholders with a registered address in Australia or New Zealand to build their securityholdings without incurring transaction costs. The laws of other countries make it difficult for us to offer securities in this way. Lendlease securityholders are able to reinvest their distributions to acquire more Lendlease securities through the Distribution Reinvestment Plan (DRP) or the Share Election Plan (SEP). Securityholders may also make contributions of between $500 and $2,500 to acquire new Lendlease securities under the Share Purchase Plan (SPP). Together the DRP, SEP and SPP constitute the Share Accumulation Plan.

The rules of each of these plans are set out in the Share Accumulation Plan Information Sheet. Copies are available on the Lendlease website. Please note that the Share Election Plan and the Share Purchase Plan are currently suspended.

Key sources of information for securityholders

We report the following to securityholders each year:

- Annual Report
- Half Year Financial Report
- March and September distribution statements.

Electronic communications

Securityholders have the option of receiving the following communications and all other Company related information electronically:

- Annual Report
- Distribution statements
- Notice of Annual General Meetings.

Lendlease makes the Annual Report available in an online version. A hard copy of the Annual Report will only be sent to those securityholders who elect to receive it in that form. In addition, securityholders may elect to receive notification when the Annual Report is available online.

Securityholders who wish to register their email address should go to the website of the Lendlease share registry www.investorcentre.com/ecomms.

For registry contact details, see page 204.

Privacy legislation

Under Chapter 2C of the *Corporations Act 2001*, a securityholder's information (including their name, address and details of securities held) is required to be included in Lendlease's public register. This information must continue to be included in Lendlease's public register for seven years after a person ceases to be a securityholder. These statutory obligations are not altered by the *Privacy Amendment (Private Sector) Act 2000*. Information is collected to administer the securityholder's holding and if some or all of the information is not collected, then it may not be possible to administer the holding. Lendlease's privacy policy is available on its website.

Dispute resolution

There is a dispute resolution mechanism that covers complaints by securityholders. For more information, please contact Lendlease Investor Relations at +61 2 9236 6111 or email us at investorrelations@lendlease.com.

Distribution and Share Accumulation Plan issue price history

For historical distribution and Share Accumulation Plan Issue Price information, please see the below link to our website www.lendlease.com/au/investor-centre/distribution-and-tax.

Security information at a glance at 1 August 2019 (comparative 1 August 2018)

	2019	2018
Number of securityholders	63,121	56,118
Units issued	564,131,072	574,260,939
Percentage owned by 20 largest securityholders	72.18%	76.29%
Interim dividend/distribution	12.0 cents per security	34.0 cents per security
Total dividend/distribution	42.0 cents per security	69.0 cents per security
Dividend payout ratio	51%	50%

Spread of securityholdings as at 1 August 2019 (comparative 1 August 2018)

	2019	2018
1 to 1,000 securities	33,122	29,486
1,001 to 5,000	24,680	21,939
5,001 to 10,000	3,463	3,008
10,001 to 100,000	1,764	1,602
100,001 securities and over	92	83
Total number of securityholders	**63,121**	**56,118**
Securityholders with less than a marketable parcel	2,544 (representing 28,947 securities)	2,100 (representing 15,548 securities)

Securities purchased on market

The following securities were purchased on market during the financial year for the purpose of funding employee incentive awards through Lendlease securities.

	Number of Securities Purchased	Average Price Paid Per Security
Stapled Securities	**3,241,399**	**$18.30**

Buyback

On 21 February 2018, Lendlease Group announced an on market buyback of up to $500 million. Purchasing commenced on 13 March 2018 and the program completed in February 2019. As at 30 June 2019, Lendlease Group had purchased 20,131,011 securities under the on market buyback for a total consideration of $352 million.

Securityholder information

Rank	Name	Units	% of Units
1	HSBC Custody Nominees (Australia) Limited	166,050,254	29.43
2	J P Morgan Nominees Australia Pty Limited	95,596,151	16.95
3	Citicorp Nominees Pty Limited	48,076,630	8.52
4	National Nominees Limited	24,677,663	4.37
5	LL Employee Holdings Custodian Pty Limited <Castle Account A/C>	14,075,522	2.50
6	BNP Paribas Noms Pty Ltd <DRP>	13,400,885	2.38
7	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	12,994,242	2.30
8	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	5,111,189	0.91
9	LL Employee Holdings Custodian Pty Limited <ESAP STI A/C>	4,001,511	0.71
10	Argo Investments Limited	3,893,609	0.69
11	BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	2,716,000	0.48
12	HSBC Custody Nominees (Australia) Limited-GSCO ECA	2,627,193	0.47
13	Custodial Services Limited <Beneficiaries Holding A/C>	2,257,201	0.40
14	Avanteos Investments Limited <Encircle Ima A/C>	2,040,383	0.36
15	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	2,009,104	0.36
16	LL Employee Holdings Custodian Pty Limited <ESAP Account>	1,684,836	0.30
17	Citicorp Nominees Pty Limited <Colonial First State INV A/C>	1,583,015	0.28
18	Netwealth Investments Limited <Wrap Services A/C>	1,570,548	0.28
19	AMP Life Limited	1,511,170	0.27
20	HSBC Custody Nominees (Australia) Limited	1,286,615	0.23
Total Top 20 holders of fully paid ordinary shares		**407,163,721**	**72.18**
Total Remaining Holders Balance		**156,967,351**	**27.82**

Substantial securityholders as shown in the Company's Register at 1 August 2019

Name	Date of Last Notice Received	No. of Units	% of Issued Capital
BlackRock Group	20/4/2017	29,288,950	5.01
The Vanguard Group	29/4/2019	33,903,122	6.01

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Glossary

Co-investment: The total market value of Lendlease equity invested across Lendlease managed funds as at period end. Represents the Group's assessment of the market value.

Construction backlog realisation: The proportion of Construction backlog revenue which is expected to be earned across future years.

Construction backlog revenue: Current year Construction backlog revenue is the total revenue to be earned across future periods.

Critical incident: An event that had the potential to have caused death or permanent disability.

Development pipeline: Estimated remaining end value of all of the Group's secured development projects based on values as at period end; includes 100 per cent of joint venture projects and therefore will not necessarily correlate with the Group's Profit after Tax.

Distribution payout ratio: Distribution divided by Profit after Tax.

Distribution per security: Amount of interim and final distribution per stapled security from the Company/Trust.

Earnings per security: Profit after Tax divided by the weighted average number of securities on issue during the year (including treasury securities) unless otherwise stated.

EBITDA: Earnings before interest, tax, depreciation and amortisation.

Effective tax rate: Income tax expense as a percentage of Profit before Tax.

Face value of a security: The value of a Lendlease security at the applicable time.

Funds under management (FUM): The total market value of investments across Lendlease managed funds.

Gearing: Net debt to total tangible assets less cash.

Global Minimum Requirements (GMRs): GMRs are Lendlease's minimum environment, health and safety standards designed to control the risks across our operations.

Good leaver: A senior executive who is leaving Lendlease for a reason such as retirement, redundancy, or resignation where the senior executive is not joining a competitor, and who may remain eligible for part or all of an incentive opportunity.

Green Star rating: Green Star is a national voluntary environmental rating system used by the Green Building Council of Australia to evaluate the environmental design and achievements of buildings.

Investments: Includes equity invested in Lendlease managed funds and direct investment in property and property-related assets. Represents the Group's assessment of market value.

Investments performance: The performance of our Investments business which includes our funds under management, assets under management, co-invested equity in Lendlease managed funds and direct investment in property and property-related assets.

Key Management Personnel (KMP): Those executives who have the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly (as per Accounting Standard AASB 124 *Related Party Disclosures*).

KPIs: Key Performance Indicators.

Long Term Incentive (LTI)/Long Term Award (LTA): An incentive scheme which provides Lendlease equity (or cash, in some circumstances) to participating executives that may vest, in whole or part, if specified performance measures are met over a three or four year period.

Lost Time Injury Frequency Rate (LTIFR): An indicator and industry standard measuring a workplace injury which prevents a worker from returning to duties the next day. LTIFR refers to the number of lost time injuries within a year, relative to the total number of hours worked in the financial year.

Market capitalisation: The number of securities on issue multiplied by the security price at year end.

Net debt: Borrowings, including certain other financial liabilities, less cash.

New work secured revenue: Estimated revenue to be earned from construction contracts secured during the period. New work is secured and forms part of Construction backlog revenue when formal contracts are signed.

People and Culture Committee: The Board subcommittee that helps the Board fulfil its responsibilities in people management and reward policies. It is made up entirely of independent Non Executive Directors.

Profit after Tax (PAT): Profit after Tax attributable to securityholders, determined in accordance with Australian Accounting Standards.

Public Private Partnerships (PPP): A joint procurement arrangement for infrastructure development contracts between the public and private sectors.

Residential for rent: Residential apartments, typically in the form of an entire building, that are made available for rent as separate dwellings. Lendlease and its capital partners maintain ownership of these apartments.

Return on Equity (ROE): ROE is calculated using annual statutory Profit after Tax attributable to securityholders divided by the arithmetic average of beginning, half year and year end securityholders' equity.

Securityholders: An individual or entity that owns Lendlease securities.

Senior executive: Employees who hold a position at executive level according to the Lendlease Career Job Framework. This generally includes Regional Business Unit Heads, Regional Function Heads and in some cases, direct reports to Group Function Heads.

Settlements (units): Apartments – units cash settled in the period on completed units in Australia, Europe and Americas, and units which have reached practical completion in Asia; **Communities and Retirement** – units settled in the period on completed land lots or units; **Commercial** – buildings that have achieved practical completion during the period.

Short Term Incentive (STI)/Short Term Award (STA): Incentives awarded with direct reference to financial and non-financial performance over a one year period. Measures are designed to focus individuals on priority areas for the current financial year.

Total Package Value (TPV): Salary plus the value of salary package items such as motor vehicles and parking and compulsory superannuation contributions paid on behalf of an employee.

Total Shareholder Return/Total Securityholder Return (TSR): The movement in a company's share/security price, dividend yield and any return of capital over a specific period. It is often expressed as a percentage.

Urbanisation pipeline: Estimated remaining end value of all of the Group's secured development projects (excluding Communities projects and Retirement projects) based on values as at period end; includes 100 per cent of joint venture projects and therefore will not necessarily correlate with the Group's Profit after Tax.

Weighted average number of securities: The time weighted number of securities outstanding during the period.

Corporate Directory

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Annual General Meeting 2019

The Annual General Meeting of shareholders of Lendlease Corporation Limited and the general meeting of unitholders of Lendlease Trust (together, Lendlease Group) will be held at 10am on Wednesday 20 November 2019 at the Four Seasons Hotel, 199 George Street, Sydney. Full details will be provided in the Notice of Meetings.

2019 Financial Calendar

19 August	Full Year Results Announced
23 August	Security Price Ex Distribution
16 September	Final Distribution Payable
20 November	Annual General Meeting

2020 Financial Calendar

20 February	Half Year Results Announced
27 February	Security Price Ex Distribution
28 February	Interim Distribution Record Date
17 March	Interim Distribution Payable

Please note that the timing of events can be subject to change. A current calendar is available online at www.lendlease.com

Entity Details

Lendlease Corporation Limited
ABN 32 000 226 228
Incorporated in NSW Australia

Lendlease Responsible Entity Limited
ABN 72 122 883 185
AFS Licence 308983 as responsible entity for Lendlease Trust
ABN 39 944 184 773
ARSN 128 052 595

Registered Office

Level 14, Tower Three
International Towers Sydney
Exchange Place
300 Barangaroo Avenue
Barangaroo NSW 2000

Contact

T: +61 2 9236 6111
F: +61 2 9252 2192
www.lendlease.com

Share Registry Information

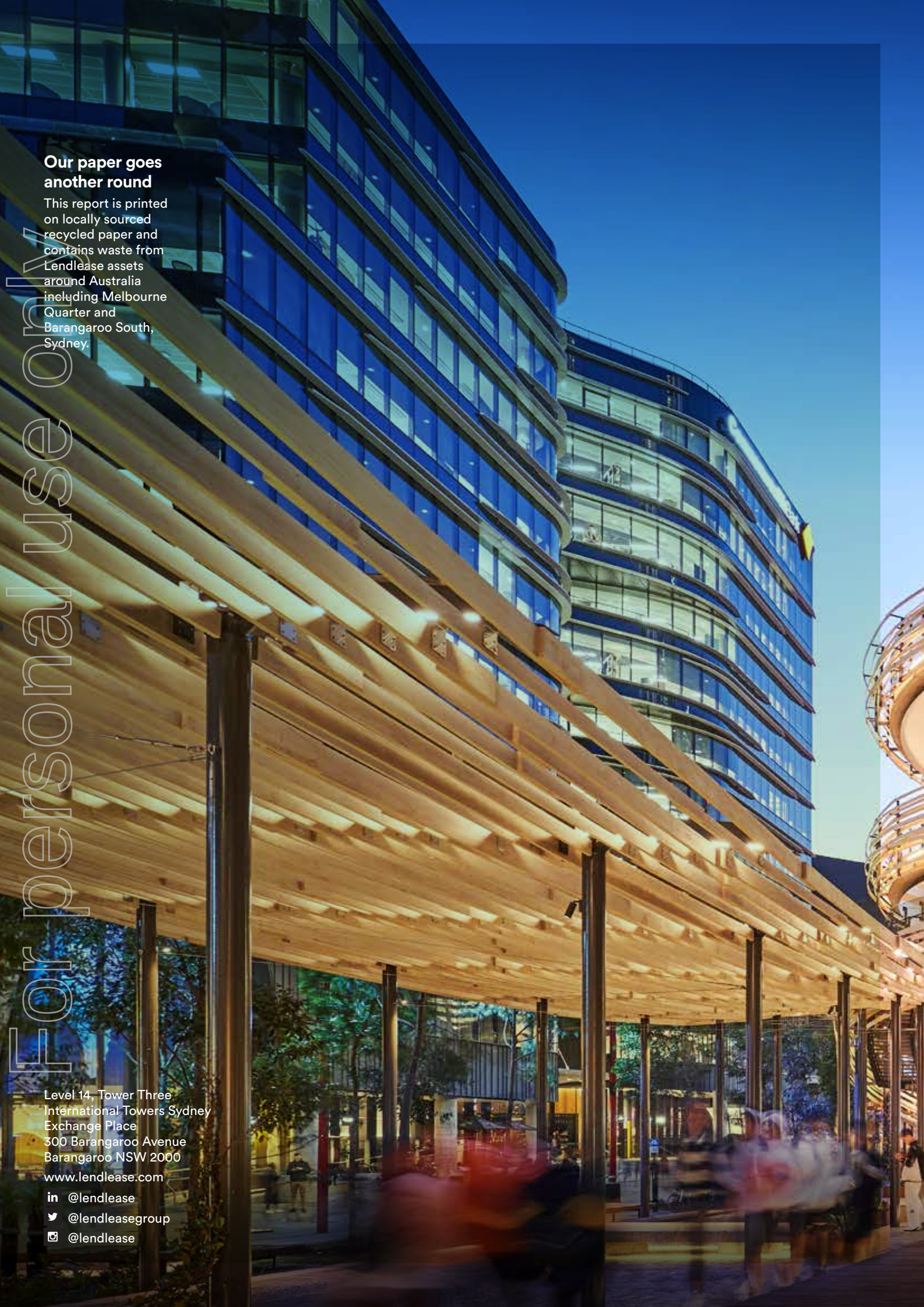
Computershare Investor Services Pty Limited
ABN 48 078 279 277
GPO Box 242, Melbourne Victoria 3000 Australia

T: 1800 230 300 (within Australia)
T: +61 3 9946 4460 (outside Australia)

www.computershare.com.au

Google UK headquarters

Lendlease is construction manager for the 870,000 square foot Google UK headquarters in London (artist's impression). The design features a timber and glass façade, emphasising natural materials and natural light in the new workplace for 4,000 Google employees.



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Level 14, Tower Three
International Towers Sydney
Exchange Place
300 Barangaroo Avenue
Barangaroo NSW 2000

www.lendlease.com

@lendlease
@lendleasegroup
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