

17 November 2023

## 2023 Annual General Meeting – Chairman and Global Chief Executive Officer Addresses

In accordance with ASX Listing Rule 3.13, attached are the addresses to be given at the 2023 Annual General Meeting of shareholders of Lendlease Corporation Limited and General Meeting of Unitholders of Lendlease Trust (together Lendlease Group).

The meeting will be held in the Fitzroy Ballroom, Sofitel Hotel, 25 Collins Street, Melbourne and online today at 10:00am (AEDT). The addresses will be given by the Chairman and Global Chief Executive Officer.

**ENDS**

FOR FURTHER INFORMATION, PLEASE CONTACT:

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***Authorised for lodgement by the Lendlease Group Disclosure Committee***

# ADDRESS BY THE LENDLEASE CHAIRMAN TO THE LENDLEASE ANNUAL GENERAL MEETING

Friday 17 November 2023

Good morning and welcome to the 2023 Lendlease Annual General Meeting.

My name is Michael Ullmer and I am Chairman of the Lendlease Group.

It's wonderful to be hosting this year's meeting here in my hometown of Melbourne.

The meeting is being held on the land of the Wurundjeri People of the Kulin Nation. They are the traditional custodians of this land, and on behalf of the Board, we extend our respects to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples joining today's meeting.

Securityholders attending virtually may be joining us from other ancestral lands, and we pay our respects to the traditional custodians of those lands and their elders past and present.

For those who have joined online, our team has worked hard to ensure you have a smooth experience. However, should you have any technical difficulties, please contact Computershare – refer to details on the meeting platform. In addition, a recording of the meeting will be available on our website following the meeting.

For people in the room, in the event of a fire or other safety incident, should the alarm sound, please follow the instructions of the safety wardens. If there is a need to adjourn the meeting, we will provide updates via the ASX platform and on our website.

It is now my pleasure to introduce your Board of Directors:

- On my far right is Robert Welanetz, Chair of our Nominations Committee, and standing for re-election today.
- Margaret Lui, appointed in September 2022 and standing for election today.
- Elizabeth Proust, Chair of the People and Culture Committee, and standing for re-election today.
- Wendy Lee, Company Secretary.
- On my left, Tony Lombardo, Global Chief Executive Officer and Managing Director.
- Nicola Wakefield Evans, Chair of our Sustainability Committee.
- Philip Coffey, Chair of our Risk Committee, and standing for re-election today.
- Barbara Knoflach, appointed in September of this year, and standing for election today.
- Nicholas Collishaw; and
- David Craig, Chair of our Audit Committee.

Members of Lendlease's Leadership Team are either here in person or joining the meeting virtually.

Eileen Hoggett and Paul Rogers from KPMG, the Group's Auditor, are also here and available to answer any questions relating to the audit of the Group's financial statements.

Barry Azzopardi from our share registry, Computershare, is in attendance and will act as returning officer.

I now confirm that a quorum is present and formally declare the meeting open.

Before we begin, our Company Secretary, Wendy Lee, will outline the procedure for asking questions and voting.

I now declare voting open on all items of business, so please submit your votes at any time.

Before commencing the formal business of the meeting, Tony and I will briefly address the challenges and achievements of the past year, and the outlook ahead.

The past 12-month period has been a challenging one for global markets. Persistently high inflation has necessitated moves by central banks to keep interest rates higher for longer. Combined with ongoing geopolitical instability, the environment for securing capital for our development projects remains subdued.

Our disappointing financial performance for the 2023 financial year reflects this.

The Board and I acknowledge that securityholder expectations were not met, and understand the frustration felt. Let me assure you that the Board and executive leadership team are focused on delivering the underlying drivers of sustained performance – continuing to execute on the strategy and see Lendlease thrive into the future.

Simplifying the business and restoring the Group's return on equity to the target range of 8-10% from FY24 remains, apart from health and safety, our most important objective.

Despite the challenging environment, your company has the right strategy in place, with our pivot to becoming an Investments-led company repositioning Lendlease to achieve more sustainable performance, and, ultimately, more sustainable returns for securityholders.

We are now into our third year of our five-year turnaround plan, Reset; Create; Thrive, spearheaded by Tony since he assumed leadership of Lendlease in mid-2021.

While we still have more work to do, much has been achieved in the past 12 months to put the Group in good shape to weather the current difficult operating environment, and to take full advantage of opportunities on the horizon as market conditions improve.

In Investments, we continued to grow our funds under management to deliver more recurring income while deploying funds into new products, with growth of 22% since Financial Year 21.

In Development, we accelerated the realisation of projects in our pipeline that support our FUM growth, with good visibility of more than \$8 billion of completions in Financial Year 24.

And, in Construction, our focus is on projects that carry less risk and generate more predictable returns – maintaining discipline and execution excellence in the face of inflationary and global supply chain pressures.

Unfortunately, provisions relating to activities from prior periods, and the retrospective industry-wide action taken by the UK government to extend the warranty period for completed residential buildings to 30 years, contributed to a substantial Statutory loss and a modest core operating profit for Financial Year 23.

The distributions for the full year were stable at 16 cents per security, including a final distribution of 11 cents per security, representing a payout ratio of 43% of core operating earnings.

This is within our Portfolio Management Framework target range of 30-50%. The Board believes that this strikes the right balance at this time between returns to securityholders and Lendlease's expected capital requirements.

The 2023 Financial Year saw our health and safety focus expand to incorporate Physical, Product, and Psychological safety at all stages of the property lifecycle, from investment decisions to operations and maintenance.

The 'Three P's' as we call them, refer to Physical Safety, being the risk of incidents from the work activities we oversee; Product Safety, or the risk of failure from the products we provide; and Psychological Safety, being the risk of a culture that inhibits respect for all.

This expanded remit reflects our steadfast, yet ever evolving commitment to the welfare of our people, our subcontractors and the communities in which we operate – a founding principle of Lendlease.

Across all our operations, where Lendlease was responsible for the control of health and safety outcomes, there were no fatalities recorded in Financial Year 23. However, tragically, on the 1 Java Street project in New York where work was not under our operational control, there was a subcontractor fatality. We remain committed to working with our third-party contractors to improve overall industry safety.

We extend our sincerest condolences to the family and colleagues of the man who lost his life.

Despite this tragic loss, during the 93 million hours worked across our operations in Financial Year 23, we continued to improve our performance against key safety metrics. This includes our Critical Incident Frequency Rate and Lost Time Injury Frequency Rate, both of which improved on the high benchmarks set in 2022.

Beyond the incredible offices, homes, infrastructure, and public spaces we deliver for our customers and communities, we are dedicated to ensuring our places create shared value and deliver industry-leading sustainability outcomes.

Our leadership position on environmental and social outcomes is not just the right thing to do. It also makes good business sense – de-risking our projects and boosting the long-term sustainability of our business, our industry, and the products we create.

A significant part of this is striving to eliminate the use of fossil fuels, guided by our Mission Zero targets of Net Zero Scope 1 and 2 emissions by 2025, and Absolute Zero Scope 1, 2 and 3 emissions by 2040.

In February, we received validation from the Science Based Targets initiative that our carbon reduction targets are consistent with global efforts to limit warming to 1.5 degrees Celsius.

As we work toward fossil fuel-free construction, we are increasing our use of electric construction equipment and using renewable diesel as a transition fuel where available. In addition, funding support was secured from the New York State Energy Research and Development Authority for a geothermal heat exchange system at 1 Java Street, an all-electric building that will have the largest geothermal residential system in New York State.

We also continue to be a leader in innovative sustainable financing in Australia, with 73%, or \$3.7 billion of the Group's total financing facilities being green or sustainability linked.

Since launching our \$250m social value target in 2020, we have created more than \$180m of social value through the work of our shared value partnerships. These partnerships focus on creating measurable social value by addressing the needs of communities. We also continued to action commitments to First Nations peoples detailed in our Elevate Reconciliation Action Plan or RAP.

Our RAP outlines our business' impact on First Nations people and the communities where we operate, how we address the Closing the Gap policy objectives, and identifying new opportunities to support First Nations peoples' self-determination.

We're among only 18 organisations in Australia with an Elevate RAP, and we look forward to strengthening our commitment.

In-line with this commitment, Lendlease has supported constitutional recognition for Australia's First Nations people for many years, and we took a strong position of support for the establishment of an Indigenous Voice to Parliament.

Regardless of the position we held, and continue to hold, the democratic process was followed, and the referendum amendment was ultimately defeated.

To our Aboriginal and Torres Strait Islander employees and those on whose lands we build and operate, we want to assure you that Lendlease remains fully committed to listening to your voices on matters that concern you and your community.

Across Lendlease we are privileged to work with First Nations customers, suppliers, partners, colleagues and community organisations every day, and we will continue to walk alongside First Nations people, supporting their connection to country, culture and community in the places we invest, develop, build and operate.

On remuneration outcomes for our senior executives, the Group did not meet our performance targets for certain financial measures including Operating Profit.

As a result, notwithstanding the on or above target performance across Funds Management EBITDA margin, and the non-financial key performance indicators of Safety, Sustainability, Customer and People, the short-term award scorecard outcomes were significantly below target.

The Board exercised discretion to reduce the scorecard outcomes further, resulting in reduced bonus awards to the Global Executive Team. For example, the Global CEO was awarded a bonus of just 32% of his maximum potential.

For Financial Year 24, the Short-Term Award scorecard has been refined to place further emphasis on financial metrics, and our Long-Term Award framework has been amended to replace the funds under management growth measure with Investments Return on Invested Capital, providing even closer alignment to securityholder outcomes.

We note the votes cast ahead of today's Meeting and the recommendations of some proxy advisers may result in a vote against our Financial Year 23 Remuneration Report.

We recognise and respect our securityholders' feedback.

Lendlease adopts a disciplined and structured approach to Board diversity, renewal and succession planning.

In line with our Board skills matrix and feedback from our investors, we have continued to focus on appointing directors with skills in our core segments of Investments, Development and Construction.

To this end, we are pleased to welcome today two excellent international additions to the Board, Margaret Lui based in Singapore and Barbara Knoflach based in Frankfurt, Germany.

As I mentioned in opening, both are standing for election as Independent Non-Executive Directors today.

Margaret is the Chief Executive Officer and Executive Director of Azalea Asset Management which oversees a US\$10 billion portfolio.

Margaret's extensive investment management and international business experience makes her an outstanding addition to the Board, and we are delighted to have attracted someone of her calibre.

Barbara has significant real estate, asset management, investment management, strategy and finance experience gained over an international career spanning 35 years.

As one of Europe's leading real estate professionals, Barbara stands to bring both deep executive experience and relevant sector insights to the Lendlease Board and the broader Group.

Standing for re-election today are Philip Coffey, Elizabeth Proust and Robert Welanetz, all of whom have the unanimous support of the Board. Their diverse skills and experiences make for robust, quality Board deliberations.

Notwithstanding the external market challenges and inflationary pressures, through Financial Year 23 the business continued to execute on the Reset; Create; Thrive turnaround plan and has a clear pathway to achieve our Financial Year 26 goals.

As well as monitoring and responding to ongoing external risks, the Board will continue working with the executive leadership team to further simplify our business, recycle capital and rebalance the portfolio toward Investments, leading to more sustainable earnings. In this regard, I reiterate the Board's disappointment with the company's financial performance and our determination to improve returns to securityholders.

Finally, I would like to thank my Board colleagues and the entire Lendlease team for their ongoing dedication to repositioning the organisation for sustainable future growth.

I will now hand over to Tony.

## ADDRESS BY THE LENDLEASE GLOBAL CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR TO THE LENDLEASE ANNUAL GENERAL MEETING

Thank you, Michael, and good morning everyone.

I also acknowledge the Wurundjeri People of the Kulin Nation and pay my respects to their elders past and present.

Echoing the Chairman's earlier remarks, I welcome those attending our meeting in-person as well as those joining online and via the telephone.

The past 12-months has been challenging for the real estate industry.

The ongoing instability from inflationary and interest rate pressures, the disruption to global supply chains, and the residual impacts of the pandemic on our industry, has had a negative effect on the markets in which we operate.

To put it simply, many global markets slowed dramatically.

Against this backdrop, we disappointingly reported a Statutory Loss after Tax of \$232 million for the 2023 financial year.

While the slowing market made transactions harder to get away and impacted valuations, a significant driver of the statutory loss related to the UK Government's retrospective legislation, which has the effect of applying today's standards to buildings completed 30 years ago.

Core operating profit of \$257 million was down from the prior year with improved Development earnings offset by lower contributions from Investments and Construction.

I want to be clear this is not a result that I or my leadership team aims to deliver.

And while we cannot control the markets – or historical issues – what we are doing is focusing all our efforts on the underlying drivers of sustained performance.

We are resolute that our five-year turnaround plan Reset, Create, Thrive is the right strategy to restore profitability and deliver greater earnings certainty through our transition to being Investments-led.

The current phase in our turnaround, Create, further simplifies the Group's operations, undertaking strategic capital recycling, deepening our relationships with global capital partners and customers, and puts Lendlease in the best position to make the most of shifting conditions as we move through this challenging cycle.

We started our turnaround with a commitment to reduce our cost base and streamline our operations to refocus on the highest value work. Following more than \$170m of annual pre-tax cost savings achieved in FY23, additional cost initiatives were announced in July 2023, when early indications showed global markets were not recovering.

To create a permanently leaner operating model with shared resources, particularly across our international markets, we commenced a workforce reduction of 740 roles. We expect to be more than 90% complete on this optimisation plan by calendar year end, with the balance expected across the next six months.

We expect these difficult but necessary actions will deliver further pre-tax cost savings of more than \$150 million per annum, with around \$60 million to be realised in FY24.

Despite the workforce reductions, we remain committed to investing further in learning and development to drive deeper engagement with our people and support high performance outcomes.

Driving stronger engagement across all markets is a guiding principle across my leadership team. While our engagement scores have improved this financial year, we still have more to do. I'm confident the engagement of our people will improve as we simplify our business and refocus the Group.

We will continue to transform and simplify Lendlease operations as we progress a number of capital recycling initiatives.

The processes to exit the retirement living operations in Australia, introduce a capital partner into our retirement living project, Ardor Gardens, in China and realising the value we have created in our Australian Communities projects are all progressing, and we will update the market when appropriate.

Consistent with our ongoing focus to manage our balance sheet and maintain flexibility, we completed several transactions during Financial Year 23, including further monetising our US Military Housing Asset Management income stream, completing \$600 million in PLLACes transactions on residential towers at Barangaroo, conducting a partial bond buyback, and introducing a majority capital partner for the One Circular Quay development.

In FY23 we successfully grew funds under management by 9% to \$48.3 billion, with more than \$6 billion of future secured FUM in production, and more than \$4 billion of committed third party capital to invest.

The high-quality sustainable product created from our development pipeline is anticipated to remain the predominant driver of growth in Funds Under Management, which is targeted to grow to \$70 billion by FY26.

Challenging housing conditions in many of the cities in which we operate, combined with our global capability has Lendlease ideally positioned to maximise the strong growth potential to the global build to rent, or multifamily asset class.

Building on our success in the US and the UK, where we have developed a portfolio of more than 2000 apartments for rent, we have applied our strong offshore capabilities to Australia, by launching two new build to rent projects in Brisbane and Melbourne with partners QuadReal and Daiwa House respectively.

In Development, we commenced \$7.7 billion of projects alongside our investment partners. These commencements take our work in progress to \$22.9 billion at year end and provide the ideal platform as markets recover.

While the Development segment operates on a capital-efficient model, we see further scope to make our capital work harder in the future. This involves bringing investment partners into the development process earlier, including from day one when we secure new projects. Consequently, we expect to reduce the capital allocation to Development over time.

We remain on track to achieve development completions of \$8 billion in FY24.

Projects close to completion include TRX in Malaysia, where the retail mall is set to open in December and is currently 95% leased. Closer to home, Residences One and Two within our One Sydney Harbour project are 98 and 95% sold by value. Residences One will see settlements from February 2024, expected to contribute more than \$900 million in net cash proceeds. Residences Two follows with settlements and net cash proceeds commencing in July 2024. Across both towers we expect net cash proceeds of \$1.4 billion within the next nine-month period.

We are reviewing our overall development pipeline to balance the short, medium, and long dated projects in our portfolio that drive the greatest security holder value. This includes assessing where we can accelerate or extract value from projects or reduce the capital required in the current economic cycle, especially for long dated projects.

This thinking, in part, drove our decision with Google to mutually end our development agreements in the San Francisco Bay area.

In Construction, our capability continues to play a critical role in the securing of new work, and the delivery of our urban projects and critical government infrastructure – including for long term partners such as the Australian Department of Defence.

We have a strong book of repeat customers in the Construction segment in all markets where we operate.

As an example, in the UK, our Construction team converted approximately \$750 million of new work with external clients in the past four weeks. More than half this work is with repeat customers.

We've reduced risks within our business through Construction portfolio changes and will no longer build apartments for sale for third parties or bid for external projects less than \$150 million in value – except in unique circumstances.

The end goal of our turnaround plan is for Lendlease to be a leading international real estate asset creator and manager that delivers sustainable returns for our securityholders.

While markets remain challenging, I am confident the strategic direction and actions we are taking now to simplify our business, positions Lendlease well for when markets recover.

The drivers of performance including our work in production, the progress on capital recycling, and our expected completions make me confident we are on track to achieve our core FY24 target of 8-10%, albeit at the low end of the range.

With capital recycling transactions pending and contracted cash settlements from the completing towers, we continue to expect gearing to be around the mid-point of our 10-20% range for FY24.

We will provide the market with a further strategy update in early calendar 2024.

Thank you for your continued support.

I'll now hand back to the Chairman.